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World News Business Summary

Fighting in
Croatia goes
on despite
Moscow deal

The Yugoslav republic of Croatia was engulfed in fighting despite attempts by the Soviet Union to implement a ceasefire between the leaders of Croatia and Serbia. Russian leader Boris Yeltsin joined the mediation efforts of Mikhail Gorbachev. Page 20

Japan official
forecasts
sharp fall
for economy

Japan's economy is at a turning point and is headed towards a sharp downturn, judging from the latest industrial output statistics, according to a senior official at the Ministry of International Trade and Industry (MITI) in Tokyo. Page 20

Nobel prizewinners
French Professor Pierre-Gilles de Gennes won the 1991 Nobel Physics Prize for work which led to portable computer screens. Swiss scientist Richard Ernst, who developed chemical analysis techniques, was awarded the Chemistry Prize.

Damascus marathon
US secretary of state James Baker and Syrian President Hafez al-Assad held more than six hours of talks in Damascus to iron out obstacles to a Middle East peace conference. Bush and Gorbachev may open talks. Page 4

Mandela optimistic
African National Congress leader Nelson Mandela spoke optimistically about South Africa's peace process and predicted his country's return to the Commonwealth after a meeting with British prime minister John Major. Page 4

Compensation for Poles
The German cabinet agreed to pay 100m (\$24m) in compensation to Poles used in forced labour programmes during the Second World War. Bonn accused. Page 20

France plans reforms
France is planning to reform its criminal justice system, saying the present method of indictment is unfair to defendants who often find themselves presumed guilty until proven innocent.

Officials lose deities
The Soviet prosecutor-general ordered former top government officials, including three deputy prime ministers, to hand over their illegally obtained luxury dachas. Page 2

Haughey fights back
Irish prime minister Charles Haughey accused his critics of "character assassination" as he defended his administration's handling of a series of financial scandals. Page 2

Athens bans cars
All private cars and half the city's taxis were banned from the centre of Athens for the second time this month after air pollution soared above danger levels.

Armenian pledge
The politician expected to become Armenia's first president pledged to lead the Soviet republic to full independence as his countrymen voted in elections. Page 2

Bush fires kill two
The worst bush fires in New South Wales in 20 years killed at least two people. It was believed that some of the blazes had been started deliberately.

Italian strike wave
Rebel Italian trade unionists in strategic sectors of the economy began a series of work stoppages. Train drivers, air traffic controllers and Alitalia cabin staff are among those affected. Page 2

Tax office raided
French farmers angered by falling income held up a Polish cattle truck, blocked roads and raided a tax office, scattering tax records and damaging computers.

Iceberg poses threat
An iceberg nearly as big as Cyprus is loose in the south Atlantic and could soon menace shipping, experts in the Falkland Islands said. It broke free from the Antarctic ice pack.

Swedish government acts to save biggest bank

By John Burton in Stockholm

THE SWEDISH government said yesterday that it is to guarantee a SKr3.8bn (\$610m) loan in order to save the country's biggest savings bank, Forsta Sparbanken, from threatened insolvency. The move followed a forecast by the bank that it would incur credit losses of SKr4.5bn this year.

The loan will be made by Sparbanksgruppen, the new consortium of the country's 11 regional savings banks, which includes Forsta Sparbanken. This is the second time in three days that the new government has intervened to bolster Sweden's ailing banking sector. On Monday it decided to subscribe and underwrite a SKr5.2bn new share issue for Nordbanken, the state-controlled bank.

Swedish banks expect further credit losses this year, which could exceed SKr20bn, because of loans that have gone sour after property prices fell steeply. Similar problems have affected banks in Norway and Finland. Last month the Bank of Finland was forced to take over the administration of Skopbank, the central bank for the country's savings banks, while the Norwegian government announced on Monday that it was providing funds to Christiania Bank, the country's second largest commercial bank to save it from technical insolvency.

Ms Anne Wibble, the finance minister, said yesterday's action was necessary to restore stability in the banking system and protect depositors. The loan guarantee will provide a breathing space for Sparbanksgruppen to solve problems within Forsta Sparbanken, which it will take over, and prevent the government from being forced to assume control of the bank.

Government officials said Sparbanksgruppen, which predicts operating profits of around SKr2bn this year, was financially able to extend the loan to Forsta Sparbanken. Sparbanksgruppen is the biggest banking group in Sweden, with assets of SKr400bn.

The problems at Forsta Sparbanken became apparent earlier this year when it announced that it had lost SKr100m due to credit losses of SKr77m for 1990. The bank's senior management resigned after the Bank Inspection Board criticised its lending to several finance companies that went bankrupt. The government decided on the rescue effort after banking authorities reviewed Forsta Sparbanken's results for the first eight months and found that had property loans threatened to eliminate its equity and leave it with a deficit of SKr900m. The government was informed on Friday and helped to arrange the emergency financing package before news of the losses leaked out.

European force idea 'not an alternative to Nato'

By Our Foreign Staff

FRANCO-GERMAN proposals to form a common European defence force drew hostility and suspicion from Britain and a cautious reaction from the US yesterday, although Germany insisted that the proposals were not intended to set up an alternative structure outside Nato. The plan was unveiled yesterday in Bonn and Paris. It calls for the existing Western European Union (WEU) which brings together nine European members of Nato, to be expanded and brought in effect under the political umbrella of the European Community.

The plan, expanding on Franco-German ideas first announced nearly four years ago, forms part of the political sparring ahead of crucial EC and Nato summits on political and security co-operation towards the end of this year. It calls for the existing Franco-German brigade, a modest unit of some 4,000 men, to be built on as the core of a future "European corps".

French and German officials have been dismayed at the prominence given to this suggestion, which is appended almost as an afterthought to the Kohl-Mitterrand letter, and is not directly relevant to the European political union negotiations which are supposed to conclude in December. Mr Jean Mustelli, spokesman for the French presidency, said the size - which he insisted was not the 100,000 many had deduced - as well as the composition and the basing of an enlarged force, were details still being studied by the two governments, and which might be elaborated further at the next Franco-German summit a month from now.

This is not an objective for the French presidency, said Mr Mustelli, which he insisted was not the 100,000 many had deduced - as well as the composition and the basing of an enlarged force, were details still being studied by the two governments, and which might be elaborated further at the next Franco-German summit a month from now. British officials said the proposals showed that the French government had spurned the olive branch offered by an involvement in European security, said the Franco-German plan could end up "duplicating" Nato defence efforts. Mr Hurd, attending the Commonwealth heads of government conference in Harare, said: "We don't believe there is any point - and some danger indeed - in duplicating what Nato does and what the members of Nato decided should be renewed and continued."



Vietnamese protest against forcible repatriation at the Whitehead detention centre in Hong Kong yesterday. In Hanoi, Britain and Vietnam failed to sign an expected agreement on repatriation because, according to a Vietnamese official, more time was needed to prepare for accepting returnees.

IMF warned of impending chaos in Soviet Union

By Stephen Fidler and Peter Norman in Bangkok and Layla Boulton in Moscow

THE Soviet Union's chief economic policymaker warned yesterday of economic, social and political chaos by the spring if the country's constitutional crisis was not resolved. Underlining that this collapse was threatened in a nuclear superpower, Mr Grigory Yavlinsky said he did not know whether the country was "moving forward or to hell".

Mr Yavlinsky, deputy chairman of the Committee for the Management of the National Economy, warned that he was not sure that the treaty being negotiated between the Soviet centre and the republics to create an economic community would be realised. There were three dangers: that the treaty would not be signed; that it would carry unrealistic conditions; or that it would be signed and not fulfilled.

His bleak assessment of the state of the Soviet Union came at a time when the annual meetings in Bangkok of the International Monetary Fund and World Bank, which the Soviets have attended for the first time as associate members. He said the Soviet government was spending twice as much as it received in revenues, and the individual republics were printing money without any constraint. In Moscow, Goskomstat, said 3.6 times more cash was printed in the first three quarters of this year than the same period of 1990. Incomes rose by 69 per cent while spending increased by 47 per cent. The figures include the newly independent Baltic states, which still use the rouble.

A document Mr Yavlinsky presented to the Group of Seven leading industrial nations at the weekend estimated that the overall budget deficit of the centre and the republics would total Rbs320bn this year. The Soviet Union had been using up gold reserves to sustain the "rotting system," Mr Yavlinsky said. What he called "usable" reserves - those not pledged as collateral for foreign loans - declined by 700 tonnes in 1989 and 1990 and at the end of this year are expected to stand at only 240 tonnes. The problems outlined by the Soviet delegation in their talks in Bangkok have convinced many senior western officials that the Soviet Union could break up in disarray.

Senior finance officials of the G7 are due to visit Moscow at the end of next week to meet officials from the Soviet Union and the republics. Mr Yavlinsky said he hoped the visit would force some important decisions.

Reports, Page 6

Auction to bring shake-up in British commercial TV

By Raymond Snoddy in London

BRITAIN'S commercial television industry is facing its biggest shake-up in 38 years, after the announcement yesterday of new 10-year broadcasting franchises beginning on January 1 1993. Four independent television (ITV) companies are to lose their broadcast licences. Licences were allocated after a competitive tender combined with an assessment by the Independent Television Commission (ITC) of each bidder's financial and technical ability to provide quality programming. Bidders had to pass the "quality threshold" before their financial offers were considered.

The process produced curious results. Two companies, Central and Scottish, which bid only £2,000 (\$3,400) a year to retain their regional franchises won because they were unopposed. But another, TVS, broadcasting to southern England, lost its licence because the ITC judged that its high bid of \$50m compromised its ability to guarantee the required quality.

It did not appear to the Commission that TVS would be able to maintain its proposed service throughout the licence period, said Mr George Russell, ITC chairman. Television Southwest, bidding £16.2m, more than double the winning company in its region, failed for the same reason. Thames Television, the largest ITV company which holds the weekday franchise for the London area, was outbid by Carlton Communications, the British film and television services group which also owns US-based Technicolor. About 1,000 staff will lose their jobs at Thames over the next year.

A further 400 jobs are in jeopardy at TV-am, the national commercial breakfast television company, which was outbid by Sunrise, a consortium including Walt Disney, The Guardian newspaper and two UK television companies

which successfully retained their own franchises, London Weekend and Scottish. Mr Richard Dunn, chief executive of Thames, and a leading lobbyist against the highest bid system hit out bitterly at the ITC's decision. "Cash has beaten quality," said Mr Dunn, who bid £32.7m compared with the £48.2m bid by Carlton.

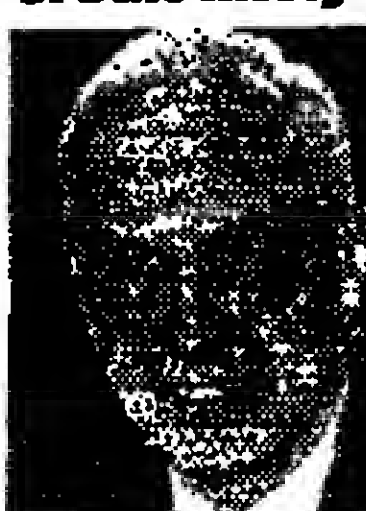
Mr Bruce Gynnell, chief executive of TV-am, which established commercial breakfast television in the UK, described the outcome as a disaster for broadcasting. Two of the biggest winners yesterday were London Weekend Television, which bid just £7.65m and Granada, broadcasting to north-west England, which bid just £2m.

They took an enormous gamble and judged correctly that their opponents, North West Continued on Page 30

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Bundesbank head says standby credit likely for Soviet Union



Helmut Schlesinger, head of the German central bank, gave the first official indication that western central banks might help in wide-ranging efforts to assist the Soviet Union with emergency aid. Page 6

MARKETS

STERLING New York lunchtime: \$1.7088 London: \$1.7111 (1.702) DM2.9125 (2.9125) FF16.509 (16.509) SF12.461 (12.461) Y129.98 (129.98) DM1.7020 (1.7115) FF16.509 (16.509) SF12.461 (12.461) Y129.98 (129.98) \$ Index 84.9 (same) Tokyo close: 130.02 US lunchtime rates Fed Funds 6 1/2 % yield: 5.086 % Long Bond: 102 3/4 yield: 7.869 %	DOLLAR New York lunchtime: DM1.7045 FF16.509 SF12.461 Y129.98 London: DM1.7020 (1.7115) FF16.509 (16.509) SF12.461 (12.461) Y129.98 (129.98) \$ Index 84.9 (same) Tokyo close: 130.02 US lunchtime rates Fed Funds 6 1/2 % yield: 5.086 % Long Bond: 102 3/4 yield: 7.869 %	STOCK INDICES FTSE 100: 2,578.0 (+2.3) FT Ordinary: 1,980.5 (+7.0) FT-A All-Share: 1,242.78 (+0.1%) DJ Ind. Av. 3,037.57 (-3.8) S&P Comp 390.83 (-0.18) Tokyo: Nikkei 24,334.67 (+27.02) LONDON MONEY 3-month interbank: closing 10 1/4 % (same) Life long gilt future: Dec94 52 (94 1/2)
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EUROPEAN NEWS

German women make their mark in business

By Christopher Parkes in Bonn

GERMAN women, still hampered in their careers by the "kitchen-sink" mentality of the average male employer, are emerging as an entrepreneurial class in their own right. According to official statistics, a third of all new businesses in the country are being set up by women. There are now 600,000 female entrepreneurs running their own companies.

At the last count, in 1975, only one in 10 new enterprises had a female founder.

Women are also gaining prominence in the professions and some specialist sectors, but behind the ambitious front-runners lies a majority still in lowly, low-paid jobs.

Almost 11m of the country's 21m women of working age - the highest proportion since the war - go out to work, and the ratio is rising rapidly, according to the government statistics office in Wiesbaden. More than three-quarters of 20- to 25-year-olds have a job.

However, half are still locked into "traditional" careers in secretarial posts, shops and agriculture. And while almost 70 per cent of men take home at least DM1,800 (\$1,062) a

month, only a quarter of working women can match this. Almost 10 per cent of male university graduates progress to director level in their career, compared with 2 per cent of women.

Drainage women and female accountants now outnumber males, occupying 51 per cent and 56 per cent respectively of all such jobs. In the mid-1970s, the proportions were 26 per cent and 46 per cent. Women have also made their mark in advertising, accounting for 35 per cent of the workforce, and public service, where they have 42 per cent of the jobs.

Even so, the route to top positions in government is still difficult. According to Ms Angela Merkel, women's minister and deputy chairman of the CDU, there are no women members among the top advisory groups in five of Bonn's main ministries.

"Progress is too slow," she told the Bundestag in a debate last week, reminding members of government plans to introduce legislation guaranteeing women equal opportunities in the current legislative period. "We must stoke up the equality locomotive."

More industrial jobs to go in east

EAST GERMANY'S state-owned industries will see more jobs than expected this year, with around 500,000 going by January, the Treuhand privatisation agency said yesterday, Reuters reports from Berlin.

The agency's latest personnel report forecasts a cut in workers to between 1.3m and 1.5m from around 2m at the moment.

Previous estimates had seen a smaller reduction in the region's overmanned industry to around 1.7m workers.

The savings, triggered by the end of state-funded short time working programmes, will not cause a corresponding rise in unemployment as most dismissed workers will join government work creation and retraining programmes.

The lay-offs are certain to

overshadow previous reductions in eastern industry, which has shed workers ever since its once communist-run economy merged with the capitalist west last year.

The biggest job cuts to date will occur in the fourth quarter of this year according to company estimates, the report said.

Most of the dismissals will be made in the engineering, textile and shoe industries.

German justice authorities yesterday widened their probe into the Treuhand by announcing that they were investigating one of its board members for a dubious privatisation deal.

The probe now includes one of the Treuhand's most senior officials, Mr Wolf Klinz, a Justice Ministry spokeswoman said.

Berlin move plan will be ready 'by end of year'

By Christopher Parkes

THE German government has given itself until the end of the year to prepare a grand strategy for parliament's move to Berlin. Chancellor Helmut Kohl, meanwhile, attempted to soothe mounting anxiety in Bonn with assurances that the old capital would remain the country's administrative centre.

"I accept it as a personal responsibility that Bonn and its surrounding area should not be pushed to one side," he told the Bonn chamber of trade yesterday. "We shall soon be clear about which ministries will remain here and which will go to Berlin."

In a cabinet meeting earlier, Mr Kohl and his coalition colleagues reviewed an interim report from a working party set up to address the logistics of the move, and undertook to present a "total concept" by the end of the year.

The report made no mention of timing or costs, and gave no clear indication of how ministries and administrative activity should be divided between the two cities, although it claimed the necessary government buildings could be constructed in Berlin within six to

10 years.

There was also considerable extra infrastructural work to be done, including improving transport links and providing adequate housing in the overcrowded Berlin area.

For example, the construction of a high-speed, non-stop rail link between Bonn and Berlin which would cut travelling time to four hours.

Mr Franz Kroppendstedt, a junior interior minister in charge of the working party, offered vague assurances that Bonn would be compensated for the loss of status incurred by the move.

There would be proposals for new functions in the fields of economics, science and culture, he said. The government would use its influence with institutions which were planning to leave.

Yesterday's activities were virtually the first public high-level contributions to the debate since the Bundestag voted to move in June.

They suggest that the government feels tempers in Bonn have cooled enough for the planning to proceed in a less heated atmosphere.

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Mines littering the centre of the motorway which links the Croatian capital Zagreb and the town of Karlovac as traffic passes nearby

Paris hears cry of pain from the provinces

By William Dawkins in Paris

THE French government yesterday came under attack from across the political spectrum for not doing enough to halt the economic decline of poorer towns.

The criticisms came as the Socialist government tabled details of its FF7.5bn (£750m) job-creation plan and follow the politically damaging resignation of one of France's most senior Socialist mayors, Mr Roger Quilliot. He is a former housing minister and close adviser on local matters to President Francois Mitterrand.

Mr Quilliot resigned as mayor of Clermont Ferrand on Monday evening protesting that his town was "condemned to a slow death by the indifference of the public authorities" to economic problems caused by the continued loss of jobs at Michelin, its main employer.

His move was followed by a call from Mr Valéry Giscard d'Estaing for more powers to be shifted from central government to the regions. The former French president is also president of the regional council of Auvergne, which includes Clermont Ferrand.

Opposition politicians and other mayors in towns with similar problems voiced support and sympathy for Mr Quilliot, who yesterday met Mr Mitterrand.

The government is already worried by the continuing economic dominance of the Paris region, where half of all new jobs have been created since 1982, despite decentralisation measures implemented over the past decade. Attempting to give a fresh push to decentralisation, the government recently announced plans to move 30,000 jobs out of Paris in the next 10 years and has forbidden ministries to open new offices in the capital.

The move was followed yesterday to tackle the politically related problem of rising unemployment - now at 9.5 per cent - will exempt employers of unqualified young people from social security payments and give tax breaks to households that employ personal services, from babysitting to care for the aged.

However, they emphasised that a "corps" in

Haughey lashes out at critics

By Tim Coone in Dublin

IRELAND'S prime minister, Mr Charles Haughey, lashed out at his critics yesterday accusing them of "character assassination". Speaking in parliament, which was debating a motion of confidence in his coalition government, he defended his administration's record and its handling of a recent spate of financial controversies. The latter have resulted in four heads of state-run bodies resigning over the past month.

Mr Haughey attacked the "reprehensible behaviour" of a small number of people in the business sector, and claimed there had been a "totally unjustified attempt... to blame the government when there was clearly no ministerial involvement".

"Where is there any evidence of wrongdoing by any member of this government?" he asked.

A series of governmental inquiries are presently under way into the controversies which concern share dealings in the formerly state-run Greencore (formerly Irish Sugar), a property deal for the headquarters of Telecom Eireann, the state-run telecommunications company; and alleged fraud, malpractice and political favouritism in the beef industry.

The Franco-German proposals for a Community defence force
Europeans called to join ranks

By David Buchan in Brussels

THE SUBSTANCE of the Franco-German plan to create a European defence force, announced yesterday in Paris and Bonn, is ambitious. But its tone is conciliatory to the Dutch presidency of the European Community and to countries like Britain and Italy which have presented a more pro-Nato alternative plan.

The Kohl-Mitterrand proposal would create a European Franco-German brigade and transform the nine-nation Western European Union into an EC defence organisation.

The French and German leaders, in their letter to Mr Rijkman Groenendaal, prime minister of the Netherlands, the current EC president, express their appreciation for the way he and his government have been working to get agreement on political and monetary union at Maastricht in December.

On the central issue of a

common foreign and security policy, they note how discussion "has significantly advanced during the course of this year, thanks to various contributions of which the latest is the Anglo-Italian joint declaration".

However, they go on to say that "the Europeans must clearly show, by concrete decisions and institutional measures, that they want to take on bigger security and defence responsibilities". So to give the EC debate "a new impulsion", they propose:

● Treaty language which would commit the EC to implementing "a common foreign and security policy which will include eventual common defence". The Community would deal with defence "wholly or partially" through the Western European Union (WEU), which is an integral part of the process of European union. This would "not affect"

states' existing obligations to Nato. These treaty articles would be reviewed in 1996.

● A list of areas where the Twelve should henceforth commit themselves to joint action. These are: relations with the Soviet Union, eastern Europe, the US, the Middle East and the Mediterranean region; action in the United Nations and other international bodies; and participation in arms control, nuclear non-proliferation and international peace-keeping. Such "common action" has been bandied around all year. The main Franco-German innovation is to include policy towards the Middle East, a divisive issue in the past.

● A declaration on the WEU which would invite all EC members to take some part in the defence body, and keep the European Commission informed about its work. The WEU would be linked to the EC by moving it to Brussels

Kuriles haunt Japan talks with Soviets

By Leyla Boulton in Moscow

DIFFERENCES remained yesterday over the islands snatched by the Soviet Union from Japan at the end of the Second World War, although "90 per cent" of a Soviet-Japanese peace treaty was ready for signing, Mr Andrei Kozlov, the Russian foreign minister, said yesterday.

A visit by the Japanese foreign minister, Mr Taro Nakayama, who leaves the Soviet Union today, has been painted in glowing but vague terms as one more step towards "normalising" relations with Japan. Tokyo said it will only sign a treaty formally ending the Second World War when the Soviet Union hands back the four islands of Etorofu, Kunashir, Shikotan, and Habu.

During Mr Nakayama's visit, the two sides agreed on "confidence-building" measures, including a 30 per cent reduction in the Soviet military presence on the four islands, a lifting of travel restrictions to the islands for Japanese citizens, and joint economic projects.

A special working group, to be headed by Mr Georgy Kuznetsov, a Russian deputy foreign minister, has been set up to speed up work on the treaty.

A \$2.5bn Japanese aid package for the Soviet Union has helped improve the climate for these talks even though Moscow has gone out of its way to say there is "no linkage" between the islands and the cash.

Mr Vitaly Churkin, a spokesman for the Soviet Foreign Ministry, declined yesterday to suggest when a treaty might be signed.

These actions reflect the growing fragmentation of the union movement, which traditionally has been dominated by three confederations: the Communist-Socialist CGIL, the Christian Democrat CSIL, and the Social Democrat UIL. Groups of workers in strategic sectors began forming their own committees, the so-called Cobas, in the early eighties, believing they could obtain better deals on pay and conditions.

The rebel air traffic controllers' organisation, Licis, formed in 1989, claims to represent a third of the 1,500 specialists in the sector.

Their short strike is part of a continuing battle to obtain improved technology and working conditions in the wake of the 1976 demilitarisation of air force control.

Licis is also opposing the national contract negotiated for the sector by the three confederations. The rebels have agreed, however, to comply with new legislation obliging them to provide essential services.

The train drivers went on strike on Tuesday to ensure that a preliminary agreement on wages and conditions they negotiated last month with the management of the state railways was not overturned by national negotiations by the three confederations.

The rebels claim to account for almost 70 per cent of the workforce. According to the railways, only 45 per cent observed the stoppage; the rebels claimed 84 per cent.

Protesters get short shrift in Tatarstan

THE parliament of Soviet Tatarstan adjourned indefinitely yesterday in protest against demonstrators demanding independence from Moscow. Tass said, Reuters reports from Moscow.

The parliament of the autonomous republic, a major industrial centre on the Volga river, reluctantly wrote the independence issue onto its agenda.

But the demonstrators ressembled in Freedom Square yesterday and legislators said they would not discuss sovereignty under pressure.

Such legislation would underpin the Commission's objective of free movement of labour after 1992, although Sir Leon conceded that it might be "difficult to reconcile with some national supplementary pension arrangements".

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Brussels seeks to clear the way for Community road haulage companies

By Andrew Hill in Brussels

ROAD HAULAGE companies will be able to offer unrestricted services throughout the European Community from the beginning of 1993 under draft legislation agreed yesterday by the European Commission.

The proposed regulation on road cabotage is aimed at opening up a genuine single market in road transport and would allow trucks to make a delivery in another member state and pick up goods for delivery on the return journey as well.

Mr Karel Van Miert, the EC transport commissioner, said yesterday: "One of the reasons why we have traffic congestion is that about a third of the lorries on the road are returning home empty - we're trying to reduce that."

As an initial safeguard against serious market disruption, cabotage will be limited to 5 per cent of national markets in 1993 under the new legislation.

This ceiling will be gradually raised until 1995 when it will be removed completely. Member states will, however, have the right to apply for temporary

restrictions if they can convince Commission experts that a particular regional market is suffering because of competition from foreign truck companies.

In Germany, which experienced the largest increase in cabotage last year, foreign haulage contracts still represent only 0.5 per cent of the total market, according to the Commission, and only 0.1 per cent in other member states.

The Commission yesterday agreed a draft directive which would free EC pension funds from national restrictions on where and how they invest their assets.

The measure, which still needs to be approved by member states, also imposes obliga-

tions on pension funds to maintain balanced portfolios of assets and to take into account the security, quality, liquidity and profitability of their investments.

Sir Leon Brittan, the EC financial services commissioner, said the legislation was a step towards further measures which would give consumers the opportunity to transfer pension plans around the Community without penalty.

Such legislation would underpin the Commission's objective of free movement of labour after 1992, although Sir Leon conceded that it might be "difficult to reconcile with some national supplementary pension arrangements".

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Pledge on Armenian independence

By Andrew Hill in Brussels

THE politician expected to become Armenia's first president yesterday pledged to lead the Soviet republic to full independence as his countrymen voted in elections, Reuters reports from Yerevan.

Mr Levon Ter-Petrosyan, who has led the republic's 3.5m people for the last year as parliamentary chairman, said after casting his ballot: "Armenia is firmly resolved to

win full political independence."

An easy victory is predicted for Mr Ter-Petrosyan who was backed by nearly three quarters of voters in the last opinion poll. Supporters of Mr Paruir Hairikyan, a radical running second in the polls, were said to have already conceded defeat.

In a referendum last month, an overwhelming 99.3 per cent of the electorate voted for the restoration of the predominantly Christian nation briefly enjoyed from 1918 to 1920.

Mr Hairikyan, a former political prisoner who returned from exile in the US to fight the election, says his supporters suffered intimidation during the campaign and has accused Mr Ter-Petrosyan of trying to rebuild a totalitarian

state.

Officials said that by early evening about 80 per cent of voters had cast their ballots. Voting stations were due to stay open until 10pm.

Armenia, a Christian nation surrounded by Moslem neighbours - Turkey, Iran and Azerbaijan - has often looked to Moscow for protection in its long history of invasion and occupation.

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EUROPEAN NEWS

Albanian troops in new clash with asylum-seekers

ALBANIAN security forces fought with thousands of people trying to flee the impoverished former communist country by ship, Albanian television reported yesterday, Reuters reports from Tirana.

It said 10 soldiers and two civilians were injured in the fighting on Tuesday between asylum-seekers and security forces who fired shots in the south-west port of Vlorë.

In the western port of Durrës four persons carrying guns were arrested by police who were called in to prevent a similar attempt by crowds to leave the country, the television said.

The clashes prevented the unloading of foreign aid from ships.

About 500 people who had arrived at the port from various towns were sent home and order was apparently restored. The city seems quiet, an eye-witness in Durrës said. But security forces said they were ready to get tough.

The forces of law and order will take strong action against all those attempting to storm the port, the Ministry of Public Order warned.

Last March, amid the politi-

cal chaos which followed the collapse of Stalinist rule in Albania, Europe's poorest state, a major refugee crisis erupted when 20,000 Albanians invaded ships and forced the crews to sail across the Adriatic Sea to Italy.

A further 20,000 refugees fled to Italy by ship in August from Durrës and Vlorë but were sent back to Albania by the Italian authorities.

The threat of a new exodus forced Mr Torquato Cardilli, the Italian ambassador to Tirana, to make a television appeal urging would-be refugees not to follow the example of the 40,000 Albanians who crossed the Adriatic in several waves early this year.

"I had to go on national television and tell people that there was simply not enough room for any more refugees in Italy," the ambassador said.

Mr Dr Bocka, the Albanian deputy foreign minister, said the latest incidents in Vlorë were due to the impatience of Albanians.

"They want everything at once and they are not willing to wait. But I do not think there is any political significance in this," he said.

Latvians agonise over their Russian problem

The newly-free Baltic state is threatening to deny citizenship to its large Russian minority, reports Gillian Tett in Riga

WHEN Mr Andrejs Pantelejevs, a Latvian politician of Latvian and Russian parents, applied for a Soviet passport back in the 1970s, he was offered a choice between Latvian or Russian nationality. He opted for Latvian - an act deemed so "nationalist" by the Brezhnevite authorities in Riga that Mr Pantelejevs' Russian father lost his job.

Fourteen years later, the tables have turned. As head of the Latvian parliamentary committee for minorities, Mr Pantelejevs presides over the explosive question of whether Latvia's non-Latvian, mostly Russian, population should be granted citizenship in independent Latvia.

The issue is now dominating - if not paralysing - the politics of post-Soviet Latvia.

With 48 per cent of Latvia's 2.7m population officially non-Latvian, their future status has implications not just for Latvia, but also for other former Soviet republics, which are soon to decide the status of their "immigrant" communities. In Estonia, which is also debating the citizenship issue, 40 per cent of the population are non-Estonians.

Most of Latvia's Russian-speaking population arrived after Soviet annexation in 1940, drafted in - often involuntarily - to work in military complexes and industries. Their arrival was interpreted by many Latvians, as elsewhere in the Soviet Union, as a form of Russian colonisation. "Latvi-

ans feel they've become a minority in their own land," says Mr Pantelejevs.

In response to these fears, Latvian nationalists have demonstrated in Riga this week demanding that these "immigrants" should either leave, or, at the least, be refused citizenship.

Other Latvian leaders, though, recognising that this hard-line stance does not sit well with Latvia's attempt to build a democratic image - and reluctant to create a situation where a third of the population would be "foreign" citizens - call instead for more gradual controls.

Under a draft proposal due to be discussed by the Latvian parliament this week, an estimated 200,000 non-Latvians who have lived in Latvia for more than 15 years, who have a "conversational" knowledge of the Latvian language (25 per cent of non-Latvians officially speak Latvian) and swear loyalty to the state will be offered citizenship.

This proposal, though, leaves the Russian population increasingly resentful. They generally favour extending citizenship to all existing residents. Although it is unclear what proportion want to become Latvian citizens, many are reluctant to return to a Russia where living standards are markedly worse than in the Baltic states.

The issue seems unlikely to be resolved rapidly even though the Latvian government has met repeatedly in recent weeks to draft and redraft

proposals.

One delaying factor is the continuing confusion in Moscow itself. Latvians have noted with concern statements from Russian leaders promising to protect ethnic Russians in former Soviet republics and are cautious of antagonising their newly-established diplomatic relations with Russia.

Another factor though, is the distinctly fragile nature of Latvia's own parliamentary apparatus. As Mr Dainis Irvans, the deputy president, admits, the citizenship issue is providing Latvian politicians with a chance to cut their political teeth in post-Soviet Latvia.

"All this is the beginning of normal democratic debate," he says optimistically, nevertheless conceding that the dispute threatens to eclipse other areas of badly-needed economic and political reform.

Key bills on privatisation and foreign investment have yet to be passed by parliament. Reform of Latvia's two-chambered parliamentary system - one chamber is elected by Latvian residents, the second by descendants of 1940s citizens - is being delayed until the citizenship issue is resolved.

And parliamentary elections have been postponed indefinitely, while the Latvian leaders attempt to decide not just who should vote in the elections - but also whether either of the existing parliamentary chambers has the authority to take a decision about the issue in the first place.



Russians protesting at Latvia's move to independence

Uzbeks stick to the orthodox communist path

Ariane Genillard and Anthony Robinson see no political changes since the abortive Soviet coup

THE abortive August coup which swept away central Soviet power also brought "independence" to Uzbekistan, one of the five central Asian republics. But the same conservative communist leadership remains in power and "independence" pivots around re-negotiating economic ties with Russia and the other republics rather than experiments with democracy.

Under Moscow's control, Uzbekistan became the main source of cotton, producing 65 per cent of the entire Soviet crop. But this meant diverting rivers and over-use of fertilisers which led to appalling ecological and health consequences, including desiccation of the Aral sea and severe respiratory problems from wind-blown pollutants.

Cotton monoculture also increased dependence on other Soviet republics for food and other products which could have been produced locally.

Of even greater significance is the republic's status as a major gold producer, producing up to a third of the Soviet total, according to Mr Islam Karimov, the Uzbek president.

Its contribution to a declining total Soviet gold production has risen in recent years as output from relatively new Uzbek mines such as Murmutau has held up better than declining output from older mines in the Soviet far east.

Now the republic's leaders are seeking a better deal. According to Mr Khazan Igarberdiev, director of the republic's gold production company, Uzbekistan received only 20 cents on every dollar earned from the sale of gold from mines which were under Moscow's direct control. Uranium from the same

paid for the grain, energy and other imports from Russia and other parts of the Soviet Union. Moscow also subsidised 30 per cent of the republic's budget.

The new economic relations now under discussion "will be more a matter of price bargaining than of economic blackmail," says Mr Karimov who, while attacking Moscow's old colonial attitudes, is ready to join a new Soviet confederation of sovereign republics.



Meanwhile, Uzbekistan's recently declared independence is unlikely to bring major democratic reforms. The Uzbek president criticised Moscow's effective dismantling of the communist party. "Is it better to leave everyone on their own or lead the people who have faith in you?" asks Mr Karimov rhetorically, to underline his intention of continuing to rule with a firm hand.

The Uzbek Communist Party renamed itself the People's Democratic Party. "But the transition between the two parties will be smooth," says Mr Karimov, who is quick to reject any idea of dismantling the local communist administrations.

"Independence here is at best the independence of the leadership," explains Mr Abdulahim Pulatov, one of the leaders of the semi-legal opposition movement, Birlik. A law preventing political gatherings of more than three persons is still in place, he adds. While opposition parties are theoretically able to register, Birlik leaders claim that administrative red tape has prevented them from doing so.

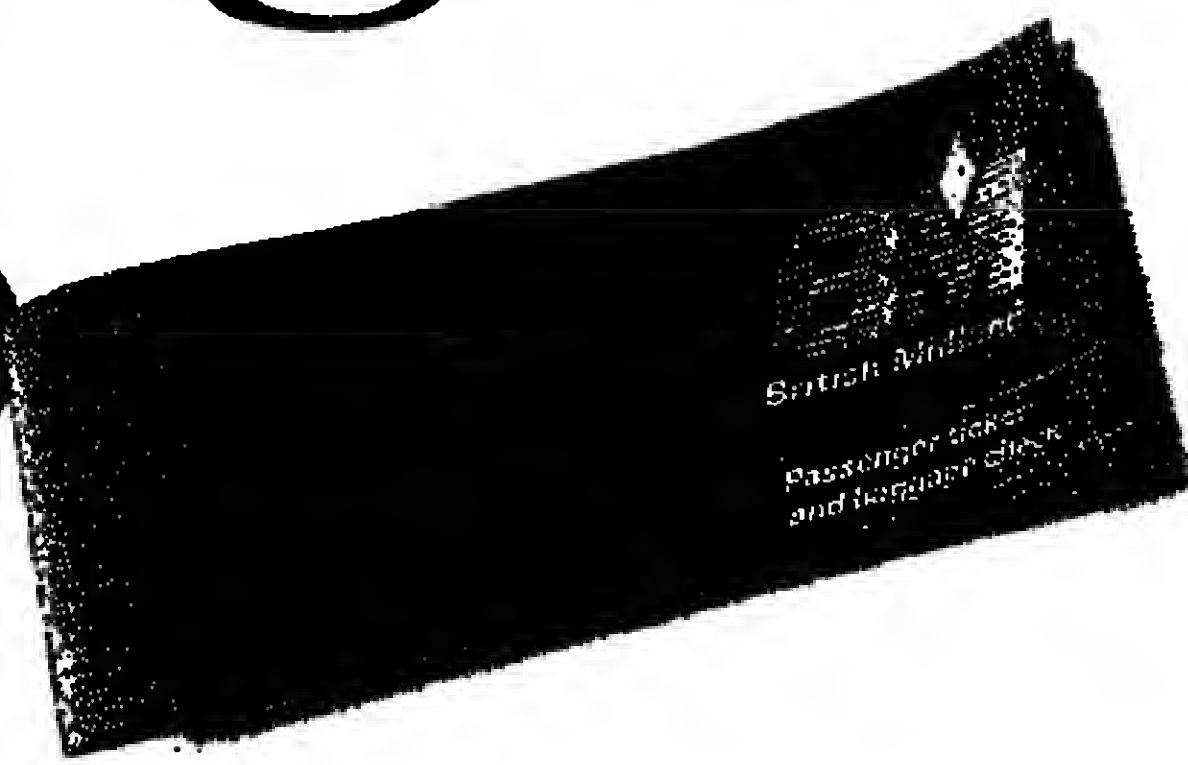
Mr Karimov says the law on political gatherings will be lifted after the parliamentary elections, which may take place next year. "For the time being, we have only one goal: to improve the standard of living which is half the Russian level. And we are ready to pay any price for this," he says.

But with memories still fresh of the ethnic riots of June 1990, in which 300 people died in clashes between Uzbeks and Kirghiz in the east of the republic, Mr Karimov justifies his caution with the need to preserve a delicate ethnic balance.

"We have to act very carefully or otherwise a social explosion will blast everybody - communists, Bolsheviks and Mensheviks alike," he warns.

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Italy's reb
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By Robert Graham
in Rome

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INTERNATIONAL NEWS

Bush and Gorbachev may open Mideast talks

By Hugh Carnegie in Jerusalem, Lami Andoni in Amman and Tony Walker in Cairo

PRESIDENT George Bush and President Mikhail Gorbachev may open the proposed Middle East peace conference, the White House said yesterday.

White House spokesman Martin Fitzwater said the two leaders would open talks that officials hope to begin on October 29 in Lausanne, Switzerland, said: "Certainly that's possible."

"President Bush and President Gorbachev have both been involved in trying to expedite this conference and trying to push it forward as much as possible."

Meanwhile Mr Farouq al-Sharaa, the Syrian foreign minister, said yesterday he would not shake hands with his Israeli counterpart at the talks because of what he termed "guilty hands which still occupy our land and ignore Palestinian rights."

The remark underlined the difficulties facing Mr James Baker, US secretary of state, on his eighth mission to the region since the Gulf war.

Mr Baker last night emerged from 15 hours of talks with Syrian leaders saying his plan to convene a conference by the end of this month remained on course despite problems.

Mr Baker, behind schedule after two days of marathon talks with Syrian President Hafez al-Assad and his ministers, flew to Jerusalem where



James Baker: peace plan on course

hundreds of Jewish settlers from the occupied territories demonstrated against his mission outside the US consulate.

Mr Baker described his talks in Damascus as positive, but said he had not resolved the question of when in the negotiating progress multilateral Arab-Israeli talks would begin on regional issues such as water resources, the environment and arms control.

Syria does not want to join such talks until its bilateral demand that Israel relinquish the Golan Heights is met.

Syria's stance will reinforce the suspicions of Mr Yitzhak Shamir, the Israeli prime min-

ister, that the country is not prepared for open negotiations with Israel.

The Israelis are seeking - as part of a letter of assurances from Washington before the conference - a commitment that the negotiations will lead to complete peace treaties, not partial agreements based on Israeli territorial concessions.

Mr Shamir is also waiting to see a list of Palestinians who will join a proposed Jordanian-Palestinian delegation to the talks. The hardest task for Mr Baker, who was due to meet Palestinian leaders in Jerusalem, is to allay Mr Shamir's mounting irritation that the Palestine Liberation Organisation has become inextricably involved in the process, against Israeli demands.

Mr Baker's efforts to keep the Israelis in line will be reinforced today by the arrival of Mr Boris Fankin, the Soviet foreign minister. The two will meet Israeli leaders separately.

The PLO was late yesterday still debating whether to approve Palestinian participation in a joint delegation with Jordan at the talks.

The Tunis-based leadership has been angered by what it perceives as the US failure to offer it a face-saving formula, but it finds itself under enormous pressure to sanction Palestinian participation on terms largely dictated by the US.

Nigerian rioting leaves 300 dead

By William Keeling

THE Nigerian army has threatened to move into the city of Kano, northern Nigeria, after two days of religious riots which have left up to 300 people reported dead.

Fighting started on Monday when up to 12,000 Moslem youths marched through the city protesting at the presence of Mr Reinhard Bonnke, a German Christian evangelist on a missionary tour.

With 3m inhabitants, Kano is the largest city in the mainly Moslem north of Nigeria. Nigeria's population of 115m is divided about evenly between Moslems and Christians.

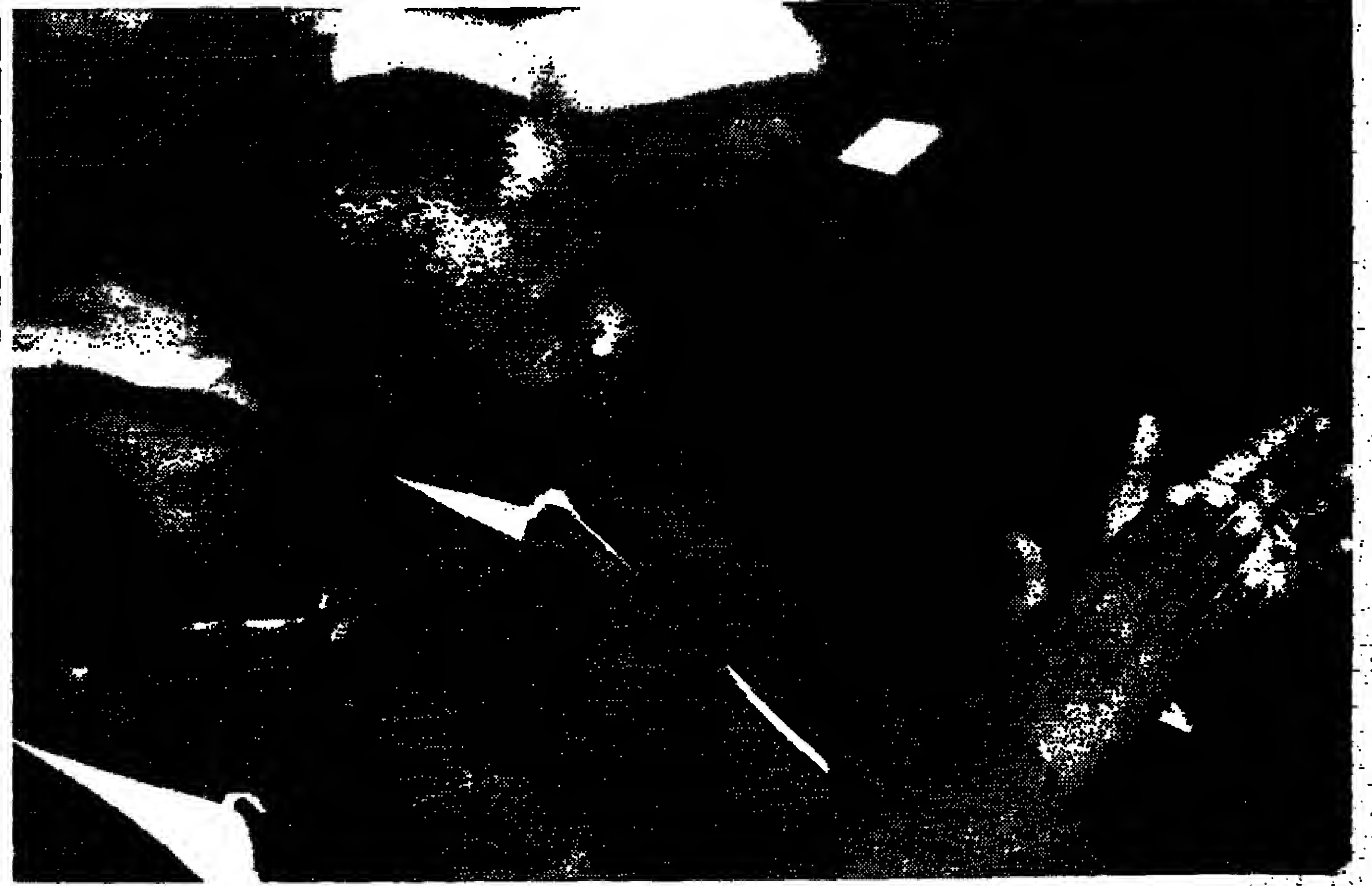
The protesters are reported to have been angered by Mr Bonnke's visit after a similar tour by an Islamic scholar was banned. Fighting spread to the Christian Sabongari quarter of the city with churches, houses, shops and cars set on fire.

Christians yesterday retaliated with at least one mosque alight.

Observers said the main road to the airport was cut off yesterday by the rioting and up to 6,000 people, mainly Christian and from the south of Nigeria, were reported to have sought sanctuary in army and police barracks.

Hospitals have reported a high number of casualties suffering from machete, arrow and gunshot wounds.

The riots are the third of a religious nature in northern Nigeria this year. In April in the worst incident, an estimated 800 people died in the city of Kano during inter-religious clashes.



Mr Nelson Mandela, president of the African National Congress, (pictured above) yesterday spoke optimistically about South Africa's peace process, predicting his country's return to the Commonwealth, and played down differences with Britain over sanctions.

Speaking after a lunchtime meeting with Mr John Major, the British premier,

the ANC leader refused to be drawn on the sanctions issue. "Whatever difference there may be... one thing is clear: the UK government and people are the enemies of all forms of racial discrimination."

Asked whether he was satisfied with the pace of political change in South Africa, Mr Mandela said that despite difficulties there had been "solid progress" in

talks with Pretoria. "I did not expect it to be faster than this... and I am optimistic this progress is going to be maintained."

As soon as the political situation in South Africa was normalised, he said, "I would strongly support our return to the Commonwealth." Mr Major, said Britain was anxious to help prepare for a post-apartheid South Africa.

Likud thrown into ferment as young Begin stakes claim

By Hugh Carnegie in Jerusalem

ISRAEL'S ruling Likud Party was thrown into internal ferment yesterday by an announcement by Mr Binyamin Begin, the son of former Prime Minister Menachem Begin, he would contest the party leadership whenever Mr Yitzhak Shamir, the incumbent premier steps down.

Mr Shamir, who is 76, has given no public indication that he intends to retire. But the unexpected declaration by the popular Mr Begin, 48, sparked speculation about the leadership just as the government prepared to make its final decision on whether to attend a Middle East peace conference brokered by the US.

Earlier this month, Mr Ariel Sharon, the right-wing housing minister who opposes Israeli participation in the conference, said he would contest the party

leadership at the next opportunity, before a general election due by November 1992.

He is given little chance of ousting Mr Shamir but would be a leading candidate if the prime minister decided to step down. It was assumed that his main rivals would be Mr Moshe Arens, the defence minister, and Mr David Levy, the foreign minister. Mr Begin - was regarded only as a possible compromise candidate who would not actively seek the leadership.

His declaration has dramatically altered the picture. An extremely popular MP he has the asset of being the heir to Menachem Begin, the enduring hero of Israel's right wing.

The move raises the intriguing prospect that Mr Shamir, deeply sceptical about the peace process but at odds with

Mr Sharon and Mr Levy, might pass the mantle to a highly symbolic figure whose commitment not to yield the occupied territories is as entrenched as his own.

● An Israeli military court yesterday sentenced to life imprisonment plus 15 years Sheikh Ahmed Yassin, the founder of Hamas, a Palestinian Moslem fundamentalist group popular in the occupied territories, for his activities in the organisation including the killing of Palestinians accused of collaborating with Israel.

Hamas, started in 1987 in Sheikh Yassin's native Gaza Strip, has grown to be a large and influential underground organisation in the occupied territories, in places rivaling the Palestine Liberation Organisation for mass support.

Opposition welcomes Algerian poll

By Francis Ghilès

ALGERIA'S two main secular opposition parties have welcomed President Chadli Bendjedid's decision to hold the country's first multi-party elections on December 26.

But both the Front des Forces Socialistes and the Rassemblement Constitutionnel pour la Démocratie have strongly denounced the electoral law passed on Sunday by the Algerian national assembly, all of whose members belong to the Front de Libération National (FLN).

They agree with Prime Minister Sid Ahmed Ghazali that the deputies' insistence on the right of men to vote by proxy for their wives on production of a wedding certificate could lead to widespread abuse.

This rule helped the fundamentalist Islamic Salvation Front (FIS) win a majority of town councils in the 1990 local elections. The same rule will help the FLN in Algeria's hinterland where traditional social attitudes hold more strongly than in the coastal cities.

● Professor Hocine Benissad was sacked as minister of the economy yesterday. He had no previous ministerial experience when he was appointed to the job three months ago.

Campaign to further the cause of democracy and human rights

By Robert Mauthner, Diplomatic Editor, in Harare

Commonwealth sets fresh goals

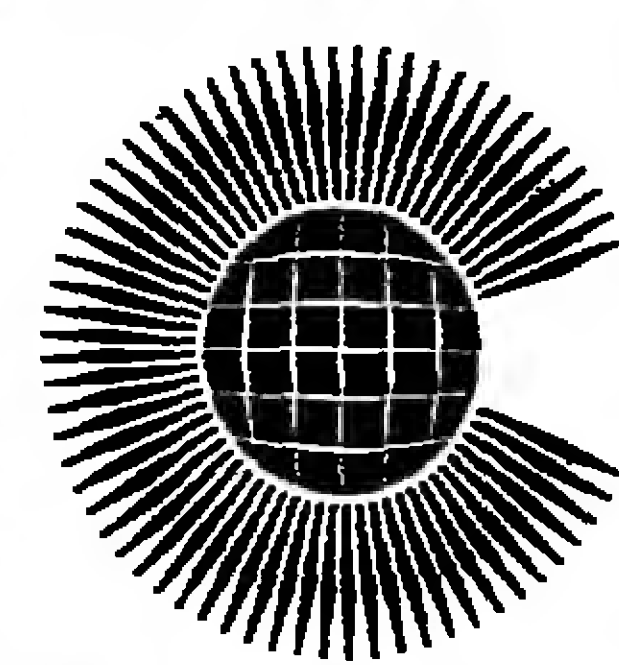
By Robert Mauthner, Diplomatic Editor, in Harare

LEADERS of the Commonwealth - the association grouping Britain and its former colonies - yesterday laid the foundations of a rejuvenated 50-nation body in which a greater respect for democracy and human rights would go hand in hand with a more active world role.

The tone of the week-long Commonwealth heads of government meeting here was set at a colourful opening ceremony in a speech by President Robert Mugabe of Zimbabwe, who said the time had come for member countries "to take a close look at ourselves."

"We are members of the Commonwealth in good faith for as long as we continue to uphold the principles we have proclaimed."

"When we ourselves, individually or collectively betray our own principles, we cannot proclaim ourselves as champions of human rights wherever they



are being violated."

The intention to place the themes of good government and human rights at the top of the conference's agenda, was echoed by Mr John Major, the British prime minister.

In a warmly applauded speech, Mr Major said the events in eastern Europe and the Soviet Union had shown that people would not be governed indefinitely by a remote authority. "Most of the world

now agrees that democracy and the rule of law are indispensable to a civilised society."

Though Mr Major did not name any specific countries, he made a pointed reference to Commonwealth member states "who have not always applied the values which our organisation represents."

But there was no wish to impose any particular models, he stressed. "Each society will strike its own balance between individual rights and the responsibilities of the state."

While South Africa and the problem of sanctions against the Pretoria regime is unlikely to dominate the conference to the same extent that it has in the past, it was clear from yesterday's speeches that it remains a subject of concern.

President Mugabe, who warmly welcomed Mr Sam Nujoma of Namibia as the head of the latest state to join the Commonwealth, said he

hoped the message which the conference would send to South Africa would make it clear that there was no credible alternative to dialogue.

"We call upon all South African leaders to put matters in their proper perspective for the sake of their country and to override seemingly irreconcilable minor issues and face the real task of negotiating a new constitution for a free and democratic South Africa," he said.

Mr Major, for his part, looked forward to the day when a non-racial South Africa might want to rejoin the Commonwealth. He recognised, however, there would be many obstacles and setbacks in the way of South Africa becoming a genuinely democratic nation.

Mr Mugabe has invited Mr Nelson Mandela, the leader of the African National Congress, to address the conference.

Governments blamed for hunger

By Nancy Dunne in Washington

THE winner of this year's World Food Prize yesterday said "government cruelty, uninterest, corruption and aggression, rather than natural disasters, must take the blame for the 500m hungry and malnourished children in the world."

Speaking in Washington at ceremonies for World Food Day, Dr Nevin Scrimshaw, director of the United Nations University Food, Nutrition and Human Development Pro-

gramme, said improved agriculture production could do little to ease the suffering, nor could international assistance eliminate hunger without the active co-operation of national governments.

"While drought may sometimes be an exacerbating factor, it is rarely famine's primary cause. As we have seen most recently in Ethiopia, Sudan, Somalia and Iraq it is government actions that result in desperate refugees," he said.

Iron deficiency is the most widespread nutrition problem in the world. More than 40 per cent of the populations of Africa and Asia are anaemic. The condition impairs the learning of children and the performance of workers.

About 50m children in 37 countries are believed to suffer from iron deficiency, which leads to blindness and often death. About 10m people are believed to be at risk from iodine deficiency.

Democracy mixes with the razzmatazz

WITH AN incongruous mixture of rites old and new, the Commonwealth yesterday opened its bi-annual gathering, Michael Holman writes.

In Harare's modern conference centre, a showcase erected after independence in 1980, buxom African ladies ululated, school-girls performed sinuous traditional dances, earthenware pots balanced on their heads, or threshing baskets under their arms.

The tempo changed. High school drum majorettes strutted and prouetted in front of over 40 Commonwealth leaders

to the tune of Colonel Bogey, played by the Zimbabwe police band.

It was a cross between African tradition and the razzmatazz associated with US political party conventions.

President Robert Mugabe, Zimbabwe's born-again demagogue and erstwhile Marxist, took to the podium to proclaim the benefits of good government and human rights, all in keeping with the conference theme.

For some, the new look Commonwealth must have an ironic ring. Looking on impassively was the bulky figure of Mr Joshua Nkomo, Zimbabwe's figurehead vice president.

The wind of change has come too late for the man who has been called the father of African nationalism in Zimbabwe. His party was amalgamated in 1988 with the ruling Zanu-PF more by coercion than persuasion.

Mr Mugabe's pursuit of a one-party state.

Some of the leaders on the platform listening to Mr Mugabe, the conference chairman, were born democrats.

Some, however, are having democracy thrust upon them. Zambia's President Kenneth Kaunda was due to return to Lusaka last night to resume the battle for his political life.

Street riots and demonstrations last year forced him to abandon at his country's first multiparty elections for two decades.

Others on the platform have so far not succumbed to the new thinking. Kenya's Daniel arap Moi holds on as leader of a one-party state; Dr Hastings Banda, now in his 80s, keeps Malawi in his thrall.

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Bakhtiar murder no bar to cordial ties

France seeks a new ally and trading partner in Iran, Scheherazade Daneshkhu reports

FRANCE and Iran have been trying hard to downplay the potential setback to their relations caused by the murder in Paris of Dr Shahpour Bakhtiar and Mr Soroush Khatibeh, his political aide, in August. Neither country would welcome a worsening of relations.

Iran, whose government, or at least a number of its members, is under suspicion for the murder of the liberal opposition leader and the Shah's last prime minister, craves international respectability and foreign credit to allow it to continue reconstruction.

France, for its part, has lost Iraq as its closest Middle East ally and trading partner and as a consequence seen the importance of the Iranian market to its exporters increase. Last year, trade between Iran and France amounted to \$2.2bn.

The investigation into the murder of Mr Bakhtiar has obliged President François Mitterrand reluctantly to postpone his state visit to Iran, planned for this month.

He would be the most senior western leader to visit Iran since its revolution. Mr Roland Dumas, the French foreign minister, has now said that Mr Mitterrand will be going until an investigation, led by Judge Jean-Louis Bruguière, is completed. The process is expected to take many months.

France has sought to reassure Iran that it is not, for the moment, allowing the Bakhtiar case to jeopardise ties. Relations have steadily improved since they hit their nadir in 1987 when relations were broken off over allegations that an Iranian embassy official was involved in a series of Paris bombings.

Relations also took a beating over the French role as leading arms supplier to Iraq during the Iran-Iraq war.

Diplomatic ties were resumed in 1988 and relations improved further after a presidential pardon granting the early release in July 1990 of Mr Anis Nac-



Bakhtiar: France and Iran have tried to play down the setback to relations

cache, a Lebanese, serving a life sentence for the attempted murder of Mr Bakhtiar in 1980 (an attempt which resulted in the deaths of a French woman neighbour and a police officer). Ironically, Mr Naccache is suspected by Iranian exiles as having played a part in the second, and fatal, assassination bid. Mr Alain Vivien, the secretary of state for foreign affairs, visited Tehran last week to talk about the outstanding contentious issue between the two countries - the repayment of a \$1bn loan made by the Shah to Eurodif, the French nuclear consortium in 1974.

France has paid back \$630m but Iran wants the balance - plus another \$1bn in interest. Eurodif and other French companies have similar claims against Iran's Islamic government for abandon-

ing an agreement with the Shah to build a nuclear power station.

The Eurodif case is in the hands of a Swiss arbitration court which moved in the companies' favour earlier this month, by ordering Iran to pay FF4.1bn (\$410,000) as compensation to Framatome, Spie Batignolles, and Alstom.

That decision is likely to prolong a settlement. This had looked close to resolution in July when Dr Ali Akbar Velayati, the Iranian foreign minister, visited Paris. French reports suggested at the time that the deal was called off after Iran demanded enriched uranium supplies, a claim denied by Dr Velayati.

Economic ties between France and Iran have developed quickly since the end of the Iran-Iraq war in 1988. France

has allocated credit worth \$4.5bn for petrochemical projects and the purchase of technical equipment after a visit by Mr Roland Dumas, earlier this year. ENP is raising \$4.5bn medium-term credit facility as part of the deal and \$2.2bn is being raised by a banking pool led by Société Générale.

In addition, a number of important contracts have been signed this year. Total, the French oil company, is to help develop offshore oil fields for the National Iranian Oil Company and agreed in May to a term contract for substantial purchases of Iranian crude. Iran is France's second largest oil supplier after Saudi Arabia.

The Islamic Republic in April signed its largest housing agreement to date with Bouygues, the French conglomerate, for the construction of 30,000 houses and four hospitals. Also in the construction sector, is Five-Coll Babcock which has three contracts worth FF450m to design and deliver kilns and coolers for cement plants.

Technip has a number of contracts to build or restore petrochemical projects, the most recent was in April with a FF1.1bn contract to rebuild a gas-fractionating plant at the Bandar Khomeini petrochemical complex. It is also designing part of the Tebriz petrochemical complex for an estimated \$450m with its Italian subsidiary, TPL.

Given the scale of mutual economic interests, it is perhaps unsurprising that both sides have tried to sweep the murder of Mr Bakhtiar under the carpet. If the Iranian government is found to have been involved, Franco-Iranian relations would not be the only ones to suffer - the European Community is likely to come under pressure to act against Iran too.

Because of such pressures, the outcome of Judge Jean-Louis Bruguière's investigation will be watched particularly closely by exiled Iranians and the international community.

US seeks \$1.5bn Tokyo pledge on super collider

By Steven Butler in Tokyo

THE US has increased pressure on Japan to join in building a \$1.5bn (\$1.5bn) high-speed particle accelerator in Texas by putting the issue prominently on the agenda when President George Bush visits Tokyo next month.

Mr Allen Bromley, director of the White House office of science and technology, and Mr Henson Moore, deputy energy secretary, are in Tokyo this week trying to overcome the resistance of Japanese government officials and scientists to pitching in some \$1.5bn of equipment, manpower, and cash in order to become a joint owner of the facility.

Mr Moore said the Bush administration saw Japan as an important part of the global partnership between the two countries.

The US has already spent \$730m on the project to build the world's largest particle collider, known as the Superconducting Super Collider. Construction has started on a 54-mile long concrete tunnel, which will contain two parallel metal pipes, inside which particles will be accelerated to a high-energy level by superconducting magnets. Scientists will use the collider to study elementary forces in physics.

The US Congress has approved funding for the project, but limited Federal expenditures to two-thirds of the project cost. The State of Texas has contributed \$150m, and the US is hoping to get most of the rest from Japan.

Mr Moore initially put the issue to the Japanese in May last year. The Japanese have given no formal answer but are thought reluctant to go along with the project because it could cut into money available

to support basic science at Japanese universities, which are widely seen as under-funded.

"To keep the project on schedule, the Japanese need to make a decision by the end of the year," said Mr Moore yesterday.

Although Mr Moore denied he was placing any time pressure on the Japanese government, officials connected with the project said the time was quickly passing in which the Japanese could participate in a meaningful way in the design of the accelerator.

The US would like the Japanese to become involved in the design and manufacture of superconducting magnets, which in total could cost billions of dollars. Prototypes are being tested in the US, and meaningful Japanese participation would be impossible after about six months.

Mr Bromley denied that the approach to the Japanese after the project has progressed so far was in any way too late. The issue has none the less acquired the appearance of the US once again trying to tug Japan along to spend money in fulfilling what the US sees as Japan's international responsibilities.

Mr Bromley said the US wanted Japan to play a "leading role in basic science and not just technology". Japan has been criticised in the US for taking commercial advantage of basic scientific research supported by public money in other countries, while failing to establish a strong basic science programme at home.

Mr Bromley proposed the establishment of a fund in Japan, in which the US would participate, that would support basic scientific research at Japanese universities.

Capital crime of dumping in US

Nancy Dunne reports on the trade dangers facing foreign companies

BIG American businesses hold the high ground on a very uneven playing field when they charge competitors with unfairly dumping cheap imports in the US market.

Foreign companies may hire phalanxes of American lawyers to help them prove they are not selling their products at below fair value. But US commerce department officials can almost always find the existence of dumping if they wish.

Dumping may be predatory, but it can mean simply that a product has been sold cheaper just once in the US market than it was sold at home or in a third country. Equally, a product can be sold in the US at twice the price of a similar American product in the US and still be considered dumped.

If the US International Trade Commission concludes that competition of this sort hurts US industry, then dumping duties can be levied.

In a new book, Mr James Bovard describes how US dumping law routinely expels foreign corporations from the US market as punishment for normal business practices. Between 1980-1989, the Commerce Department found guilty almost all foreign companies accused of dumping.

Until recently only big business could afford the protection of US trade laws. The cost

of legal fees for filing a dumping case can run into millions of dollars. A 1988 General Accounting Office report found the average range between \$150,000 and \$550,000 - more than the profit of many small companies.

Since small business is considered vital to the health of the US economy, Congress in 1988 ordered the establishment of offices in the Commerce Department and the International Trade Commission to provide assistance to small companies.

Since then, six companies have sought relief with the help of the ITC's Trade Remedy Assistance Office (TRAO) in the past two years, and the number of phone inquiries keeps rising.

TRAO this year had its first winner - Wyatt Technology, a Santa Barbara-based, family-owned company producing laser light scattering equipment, which measures the molecular weight of different materials.

The loser was Japan's Otsuka Electronics, a division of Otsuka Pharmaceuticals. After making only four sales in the US, Otsuka finds itself subject to 129 per cent anti-dumping duties.

Mr Geoffrey Wyatt, Wyatt's marketing director and son of the founder, is not a lawyer but he spearheaded the case

against two of the most eminent law firms in the country - Arnold and Porter of Washington and Irell & Manella of Los Angeles.

His first break was finding the TRAQ, which helped him fill out forms, meet filing deadlines and prepare his arguments. His second was a decision by Otsuka not to tie up company personnel by answering Commerce Department requests for reams of data.

When a defendant fails to respond, the Commerce Department finds dumping on the basis of "best" information available - that supplied by the petitioner. It accepted Wyatt's claim that one of the Otsuka transactions was a \$45,000 sale in the US of an instrument costing \$95,000 in Tokyo.

With a finding of dumping in hand, Mr Wyatt proceeded to the ITC where he succeeded in proving to two commissioners that the industry was "threatened with material injury".

His arguments were dramatic and emotional. His father, he explained, had invented the first commercial laser light scattering instrument in the 1960s and had founded the company with a Defence Small Business Advanced Technology award.

It was doing the will of Congress - taking "a concept and

bringing it to commercialisation." Every sale is important in an industry like this which sells only a few hundred such devices a year. Each sale has the potential to lead to further sales and to provide financing for research and development.

Wyatt Technology has worked for eight years to create the right products and the right fields," he argued. "But dumping by our competitors robs us of our opportunities and cheats us of our future."

At stake too, he said, is the future of other small innovative US companies. Then he turned his attack to the opposition which had hired "a stampede of lawyers, a gaggle of economists, posers of hired guns and academics willing to sell their souls for consulting engagements".

Two commissioners bought Otsuka's arguments that the domestic industry is healthy; that import penetration is trivial; that the two products in question differ; and that there were "no lost sales, no under-selling and no price suppression or depression".

But two commissioners agreed with Wyatt and a tied vote gives the victory to the petitioners.

"The Fair Trade Fraud: How Congress Pillages the Consumer and Decimates American Competitiveness." James Bovard. St. Martin's Press, New York.

Texas Instruments ruling pleases all

By Louise Kehoe in San Francisco

IN a landmark US semiconductor trade dispute, both sides yesterday claimed victory when the US International Trade Commission (ITC) issued a preliminary ruling on a complaint filed by Texas Instruments last year against a group of five other American semiconductor companies.

TI accused Analog Devices, Cypress Semiconductor, Integrated Device Technology, LSI Logic and VLSI Technology of unfair trade, based on the claim that these companies manufacture chips in off-shore plants using a packaging process that infringes on a TI patent and then import the products into the US.

The ITC determined, in its preliminary ruling, that the TI patent has been infringed but also ruled that a slightly altered packaging process, which has recently been adopted by the defendant companies, does not infringe TI's patent.

"We are very pleased with the ruling," said Mr Richard Agnich, TI senior vice-president. "We received precisely what we requested from the Commission - a ruling that would stop these five manufacturers from infringing our patented technology."

TI said that it will appeal against the ITC decision on the altered

packaging process. Four of the defendant companies said, however, that the ruling will mean "business as usual", since they have already circumvented the TI patent.

The trade action marks the first time that this type of ITC complaint has been filed by a US company against fellow-American companies and it has stirred deep bitterness within the semiconductor industry.

Mr T.J. Rodgers, Cypress Semiconductor president and chief executive, charged that TI has misused a statute designed specifically to protect American companies from unfair foreign competition, to harass American companies.

"There is nothing in the ITC statute that limits its jurisdiction to foreign companies," said a TI spokesman, "any such limits would be contrary to the free trade principles of the GATT".

TI said that the company is simply attempting to protect its intellectual property rights "evenly and fairly". TI won a similar action, based on the same patent, against a group of Japanese and Korean companies in 1988.

The defendant companies, however, claimed that the ITC ruling represents "a victory for American competitiveness".

Polish airline faces suit over jet order

By Christopher Bobinski in Warsaw

MCDONNELL Douglas, the US aircraft maker, is threatening to sue LOT, the Polish airline, for breach of contract. The dispute is over a letter of intent signed with McDonnell Douglas on June 4 this year for the purchase of nine MD-80 aircraft which was later cancelled by the Polish company.

LOT then agreed on a letter of intent with Boeing and is now in the final stages of talks with the Seattle-based company over the delivery of nine 737 aircraft.

McDonnell Douglas contends that its agreement with LOT was "firm and binding" and has written to the Polish airline to urge it to reconsider its decision. Mr John Carroll, a vice president at McDonnell Douglas, has informed LOT that a law suit would be filed on October 24.

Mexico says trade accord date delayed

By Damian Fraser in Mexico City

NEGOTIATIONS over the proposed free trade agreement between Mexico, Venezuela and Colombia have progressed slower than expected, and the date for an accord has been postponed indefinitely, according to Mr Jaime Serra Puche, Mexico's trade minister.

Mr Serra, reported in the Mexican newspaper El Financiero, attributed the delay to the failure of Venezuela and Colombia to resolve problems arising from their membership of the Andean pact.

Colombia, Venezuela, Ecuador, Peru and Bolivia, the pact's five members, have recently agreed to form a free trade area with a common tariff in five years. Colombia and Venezuela, said Mr Serra, have to decide whether to negotiate bilaterally with Mexico, or jointly with the pact.

BAe beaten by Boeing in battle for Brazilian sale

By Christina Lamb in Rio de Janeiro

A LONG and bitter battle over the supply of aircraft for one of the world's most lucrative regional air routes was apparently resolved this week with the announcement by Brazil's Civil Aviation Department that it was safe for Boeing 737-300s to use the Santos Dumont airport in the centre of Rio de Janeiro.

The decision means Boeing emerges as victor in its fight with British Aerospace to replace the 14 Electras which fly the shuttle connecting the two main cities Rio and São Paulo. The 50-minute shuttle is Brazil's most profitable route carrying 2m passengers a year.

With the 30-year-old Lockheed-built Electra at the end of their life, BAe has been claiming that only its BAe146 could safely use the Santos Dumont airport without extending the runway in a campaign of advertisements headlined "The Natural Successor".

A runway extension is impossible because of the cost and the environmental impact. But the route's three operators already had Boeings in their fleets and were anxious not to diversify. The two main airlines Varig and Vasp both entered billion-dollar leasing agreements with Boeing late last year.

Boeing were furious at the BAe adverts. Mr Herbert Moore, consultant for Boeing in Rio insisted: "It's absolutely untrue that this is the only plane which can operate without modifications. The 737-300 can operate without any alter-

ation." But Mr Erwing Rosenthal, who represents BAe, said: "The BAe 146 has proved that it is the only aircraft which can land at Santos Dumont without an extension. To use the Boeings would be dangerous."

He accuses Boeing of deliberately altering the operating margins in their manual in order that their aircraft could be used.

To further their cause, BAe leased on favourable terms three BAe-146s to Air Brasil, a new airline operating between Brasília and Belo Horizonte, in order to show off the 146 which was also used to transport Prince Charles on a Brazilian tour earlier this year.

Varig has been happy to let the decision float. As the owners of the Electras which they rent to the other two operators, sharing maintenance costs, they were keen to use them until the last possible moment.

But businessmen using the route have become increasingly impatient with delays caused by mechanical failure and Vasp was eager for the situation to be resolved, pointing out that it was losing money because of the high rent and operating costs of the Electras while it had its own Boeings ready to operate.

After reconvening the US Flight Safety Foundation, which five years ago counselled against using jets on the route, the Brazilian authorities have now given the go-ahead for the use of Boeings. Starting next Wednesday they will gradually replace the Electras.



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IMF-WORLD BANK ANNUAL MEETING

Standby credit likely for Soviet Union

By Peter Norman, Economics Correspondent, in Bangkok



WESTERN central banks are prepared to discuss providing a standby credit for the Soviet Union in case it runs out of foreign exchange, Mr Helmut Schlesinger, the Bundesbank president, said yesterday.

The possible facility is one of several measures that could be introduced in the event of the Soviet Union experiencing a liquidity crisis in connection with its external payments.

The existence of an understanding between the Group of Seven leading industrial countries and the Soviet Union to counter possible liquidity problems was confirmed yesterday by Mr Grigory Yavlinsky, the Soviet Union's chief economic policy maker.

"It is possible to say that if a liquidity problem arises, the Soviet Union with the support of the G7 would overcome this problem," he said. "That is a very important result of this meeting," he said.

Yesterday's statements from Mr Yavlinsky and Mr Schlesinger were the first official

indications that western central banks might be involved in wide-ranging efforts to help the Soviet Union with emergency financial assistance. The Bundesbank president also confirmed that central banks had discussed creating a safety net for the West European subsidiaries of Vneshekonombank, the Soviet Bank for Foreign Economic Affairs.

Mr Schlesinger told journalists that the condition of Vneshekonombank's foreign subsidiaries was not a matter of immediate concern to the central banks.

He said there were problems during August's coup attempt but the banks were able to service their obligations. He underlined that the Soviet Union had so far serviced all its estimated \$60bn of foreign debt.

The G7 is also prepared to give the Soviet Union help in the medium term, provided it resolves its constitutional

problems and introduced an effective economic reforms.

Mr Yavlinsky disclosed that a possibility would be a \$20bn stabilisation fund for the ruble, to protect it from attack on the foreign exchange markets during the process of turning it into a convertible currency.

Lamont's sermon has a Soviet theme

By Peter Norman, Economics Correspondent, in Bangkok

NIGEL LAWSON'S ghost stalked the annual meetings of the International Monetary Fund and World Bank yesterday.

Mr Norman Lamont, the UK chancellor, decided to follow the example of his former boss, who in past years would deliver a thoughtful sermon rather than a routine speech to a crowded hall of delegates.

While most governors of the Fund and World Bank focus on their domestic economies and the preoccupations of the two institutions, Mr Lamont avoided both topics and devoted almost all of his discourse to the problems of the Soviet Union.

He underlined that none of the Soviet Union's problems could be solved by large-scale financial assistance from abroad. However, Britain and the G7 would stand ready to help if comprehensive economic reform were enacted.

What the Soviet Union needed was a drastic tightening of fiscal and monetary policy, lower public expenditure, higher taxation and positive real interest rates. Institutional reforms were also vital. But the essential first step was the settlement of economic policy making responsibilities between the Soviet Union and the republics.

Whereas other ministers referred to conditions on their domestic labour markets, the chancellor told the delegates of how he had seen a Kazakh woman selling water melons in Kiev this summer. She had flown thousands of miles to do so. But because internal air transport was so cheap she had only to sell a dozen water melons to make a profit.

The story had a three-fold moral. The Soviet people displayed strong but repressed entrepreneurial instincts. Price distortions, however, led to activities with a negative value added. The Soviet Union needed a service sector to assist the efficient transfer of goods from producer to consumer.



Norman Lamont: the parable of the water melons

Terry Kirk

Britain and China lobby for Hong Kong as host

BRITAIN AND China are seeking support for Hong Kong to be host of the 1997 annual meetings of the International Monetary Fund and World Bank. The meetings that year are scheduled to take place three months after the return of Hong Kong to China.

Both London and Beijing believe that the move would boost business confidence and underline China's intention of maintaining Hong Kong as an important free market financial centre.

Holding the financial world's biggest annual jamboree in the former colony would also boost Hong Kong's economy. This week's meetings have attracted 8,000 visitors to Bangkok and extra business worth an estimated \$25m-\$30m.

One potential problem is that Singapore issued an invitation to host the IMF and World Bank some years ago and may not wish to yield its place to Hong Kong.

The joint annual meetings are held outside Washington every three years and tend to alternate between Europe and Asia. The 1994 meetings will be in Madrid.

A 44 year old dispute between Britain and Albania suddenly landed in the lap of Mr Norman Lamont, the British chancellor, yesterday.

Mr Gramoz Pashko, the Albanian deputy prime minister, and Mr Genc Ruli, the finance minister, raised the issue of 18 tons of gold that they claim belong to Albania and are being held by the Bank of England. The dispute goes back to 1947 when two British destroyers were attacked off the Albanian coast.

The International Court of

CONFERENCE DIARY

by Peter Norman, Stephen Fidler and RC Murthy

Justice in the Hague subsequently held Albania responsible for the incident. When Albania refused to pay compensation to the UK, it blocked the return to Tirana of 18 tons of Albanian gold that had been recovered from Nazi Germany. The chancellor was unable to resolve the stalemate yesterday. But the issue will be back on the government's agenda now that Albania has rejoined the international community after years of isolation. Albania became a member of the IMF and World Bank group on Tuesday.

US objections continue to block an agreement to bring Vietnam back into good standing with the International Monetary Fund.

This emerged yesterday after a meeting of 16 countries led by France to discuss proposals to erase Vietnam's \$141m of interest arrears with the IMF. Until the arrears are wiped out, Vietnam cannot borrow from the fund.

French officials said, however, that progress was made at the talks despite the lack of a breakthrough. France is trying to assemble a group of friendly countries to cover the arrears.

The US was represented at the talks. However, it has opposed aid for Vietnam until there is a peace settlement in its conflict with Cambodia. possible this month - and

until US personnel listed as missing from the Vietnam war are accounted for.

Occasions such as these are full of high-flown phrases and communiqués. As often as not the sentiments expressed therein prove to be empty. Take the \$1.5bn environmental fund launched at the Houston summit last year, in part to protect the rain forests, particularly in Brazil. Total commitments so far amount to a piffling \$60m. Not surprisingly, this is a source of some frustration to the Brazilians.

It suggests, Mr Marcellio Marques Moreira, Brazil's economy minister, said yesterday, a contradiction within governments in the rich world "who preach so much about the environment and the tropical forests and deliver so little."

India proposes to borrow again from the IMF's concessional Enhanced Structural Adjustment Facility after abstaining for five years. Mr Manmohan Singh, its finance minister, said yesterday that there was no constitutional or legal bar from borrowing from the facility - which provides cheap loans for poor countries undergoing economic reform.

India's balance of payments deficit is estimated at \$3bn this year, \$6bn on the current account and \$3bn in debt repayments. The IMF is putting together a \$2.2bn standby loan programme which is expected to be finalised on October 23, when the IMF managing director Mr Michel Camdessus visits New Delhi on October 23.

Yavlinsky tells how Moscow gold has melted away

By Stephen Fidler in Bangkok

DESPERATION led the Soviet Union sharply to increase gold sales in 1989-90, Mr Grigory Yavlinsky, the Soviet Union's chief economic policy maker, said yesterday. He gave his fullest public explanation of why he believes Soviet gold reserves stand at a fraction of estimates previously accepted in the west.

Usable gold reserves from January 1 next year would stand at only 240 tonnes. He did not explain whether this figure was different from the current level of reserves.

In 1993 gold reserves in the

Soviet Union stood at 2,500 tonnes, he said. "Over the last three years, it was clear that we were using something to prop up this rotting system. The best thing for this purpose was gold." Exports of gold in 1989 and 1990 were more than 700 tonnes, he said, suggesting reserves were run down by this amount over the two years.

This would be over and above Soviet gold production, assumed in the west to be around 220-240 tonnes a year.

There is still widespread scepticism about the figures being given by Mr Yavlinsky.

Resource lack holds back Brazilian debt restructuring

BRAZIL will remain flexible in its negotiations with commercial banks, but there are constraints on the availability of resources to support a restructuring of its bank debt, Mr Marcellio Marques Moreira, the country's economy minister, said yesterday, Stephen Fidler writes from Bangkok.

Brazil is talking with banks about a restructuring of the debt, totalling about \$60bn, on which it is paying 30

per cent of the interest. Mr Moreira has met senior Group of Seven finance officials in Bangkok to promote the proposals, which would give creditors five options aimed at easing the country's debt burden, but the response has been cool. Mr Moreira described it as "supportive yet realistic".

A significant problem for Brazil is that the funding to support a deal with the banks is much less than that avail-

able to Mexico, which last year completed a \$48bn deal which reduced its debt burden. Funding is needed to provide "enhancements" - guarantees of capital and interest for concession bonds into which the bank debt would be exchanged.

Some commercial bankers say Brazil would need at least \$4bn for such enhancements, and Brazil may only have half of that amount.

The government has suggested to banks that enhancements of interest are expensive compared with the benefits they provide to creditors. They argue that in the case of Mexico, that interest guarantees make little difference in the secondary bond market.

Bankers say Mexico, unlike Brazil, has never suspended interest payments and therefore an interest guarantee was more valuable in the Brazilian case.

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AMERICAN NEWS

Democrats fail to beat jobless benefits veto

By George Graham in Washington

THE Democrat majority in the US Senate failed yesterday to overcome President George Bush's veto of its proposals to extend unemployment benefits for jobless workers.

The bill, which both Democrats and Republicans have turned into a political test case, received 65 votes, two short of the two-thirds majority required to overturn a presidential veto.

Mr Bush has vetoed 23 bills sent to him by the Democrat-controlled Congress in his three years in office. On 11 occasions Congress has tried to override the veto, but has never yet achieved the necessary majority.

Senate majority leaders had hoped that enough Republicans might be sufficiently sensitive to rising unemployment problems in their home states to join them in overriding the veto. In the end only eight Republicans joined the 57 Democrat senators.

Yesterday, however, was not the most propitious day for winning Republican defections;

only the day before the fierce battle over the confirmation of Judge Clarence Thomas to sit on the Supreme Court had deepened the partisan rift. "I'd say it is a bad week [to attempt to override the veto]," said Senator Jim Sasser, a Democrat from Tennessee.

The Democrat legislation would have provided between seven and 20 additional weeks of unemployment benefits to people who had exhausted their basic 26-week entitlement, at a cost estimated at \$6.4bn.

The issue could rebound on Mr Bush in next year's election if the economy does not begin to show signs of a more robust recovery.

The president had initially said the benefits extension was unnecessary as the US recession was over. He has since softened this position by agreeing to a more limited benefit extension proposed by Mr Robert Dole, Senate Republican leader, which would be funded by the sell-off of radio airwaves.

Bush nominates new attorney-general

PRESIDENT George Bush yesterday nominated Mr William Barr as attorney-general to fill the post left vacant by Mr Dick Thornburgh, who resigned to run for the Senate. Mr Barr, 41, has been acting attorney-general. Reuter reports from Washington.

The attorney-general heads the US Justice Department and is a member of the cabinet. His appointment requires confirmation by the Senate.

"I have chosen an individual who is a thorough professional, a defender of individual rights, and a person absolutely committed to the fight against crime," Mr Bush said at an awards ceremony for law enforcement officials. Insiders said the president was impressed by Mr Barr's

performance as acting attorney-general, particularly the way he dealt with a prison riot in Alabama.

On Mr Barr's orders federal agents stormed a prison in Talladega, fearing jailed Cuban exiles would start killing hostages, and in three minutes freed all nine hostages.

Mr Barr, who had been deputy attorney-general, was named as acting head of the Justice Department when Mr Thornburgh departed in August.

He served at the Central Intelligence Agency from 1973 to 1977, a period that included Mr Bush's tenure as head of the agency, and was on the White House domestic policy staff when Mr Bush was vice-president.

Senator urges US to soften Gatt line

SENATOR Max Baucus said the US should relax some of its demands for EC agricultural reform to jump-start the stalled global trade talks at the Uruguay Round of the General Agreements on Tariffs and Trade (Gatt), AP-DJ reports from Washington.

Senator Baucus, an influential Democrat, told the National Association of Manufacturers yesterday the US could settle for an agreement that would sharply reduce or eliminate agricultural export subsidies - the most serious problem.

Many of Mr Baucus's proposals appear to constitute a Democratic trade agenda in Congress for the coming year, and would mark a dramatic shift of sentiment away from the Bush administration's call for the EC to sharply reduce or eliminate agriculture export subsidies, domestic price supports and import barriers.

US insistence on an agreement on all three areas, and EC unwillingness to accept those terms has created an impasse for the Gatt round for nearly a year.

Rainforest burning 'worst ever this year'

THE environmentalist group Friends of the Earth said yesterday that 1991 "is likely to become the worst year ever for burnings in the Amazon rainforests", Reuter reports from London.

It said official air and satellite surveys showed between 50,000 and 80,000 fires in the Amazon basin in September, the peak of the burning season, when forests are cleared for farming. Scientists fear their loss will affect climate and wipe out many species.

The Brazilian INPE space research institute believed that the latest fires may also have poured up to 12m tonnes of ash into the atmosphere.

"Governments... continue to fiddle whilst the forests burn," Mr Tony Juniper, of Friends of the Earth, said.

Social democrats likely to inflict humiliating defeat on provincial government

Upset forecast in British Columbia poll

THE provincial election in British Columbia today will underline the unusually volatile state of Canadian politics, writes Bernard Simon in Toronto.

Judging by the latest opinion polls, the ruling right-wing Social Credit government will suffer a humiliating defeat at the hands of the social democrat New Democratic party, which last held office 16 years ago. The Liberal party, which has not had a seat in the provincial legislature since 1979, is expected to finish a strong second.

The likely change of government will not only affect the business climate in Canada's most westerly province, but

will give a new twist to Prime Minister Brian Mulroney's efforts to work out a deal which persuades Quebec to remain part of the federation.

The debate over Quebec and Mr Mulroney's lack of popularity have contributed to an unprecedented fragmentation of public opinion over the past 18 months. Regional and single-issue groups have mushroomed at the expense of the mainstream parties.

The NDP won a surprise victory in the industrial heartland of Ontario last year. A victory in British Columbia would give it control of two of the country's key provinces. The party, which has only 44 of the 295 seats in the fed-

eral House of Commons, is also expected to win an election next week in the prairie province of Saskatchewan.

The party in British Columbia has pledged wider powers for trade unions and to raise corporate taxes. It has assured businessmen, however, that it will pursue moderate economic policies, including a balanced provincial budget.

The NDP in Ontario has recently backtracked on some of its more radical campaign promises after a torrent of criticism from business. It has abandoned plans for a publicly owned car insurance scheme, and delayed the implementation of an environmental bill of rights.

The Liberals, who constitute the main opposition in the federal parliament, were not even a factor in the British Columbia election until their leader, Mr Gordon Wilson, outshone his two rivals in a televised debate last week.

Depending on the number of seats they gain in British Columbia and Saskatchewan, the emergence of the provincial Liberals as a force in western Canada would give the federal Liberal party a badly-needed shot in the arm. It may also siphon some support from the fast-growing Reform party, which has been the main beneficiary of the anti-Mulroney protest vote in the west.

Neighbours rally to Cuba's call

Caribbean states urge lifting of US embargo, writes Canute James

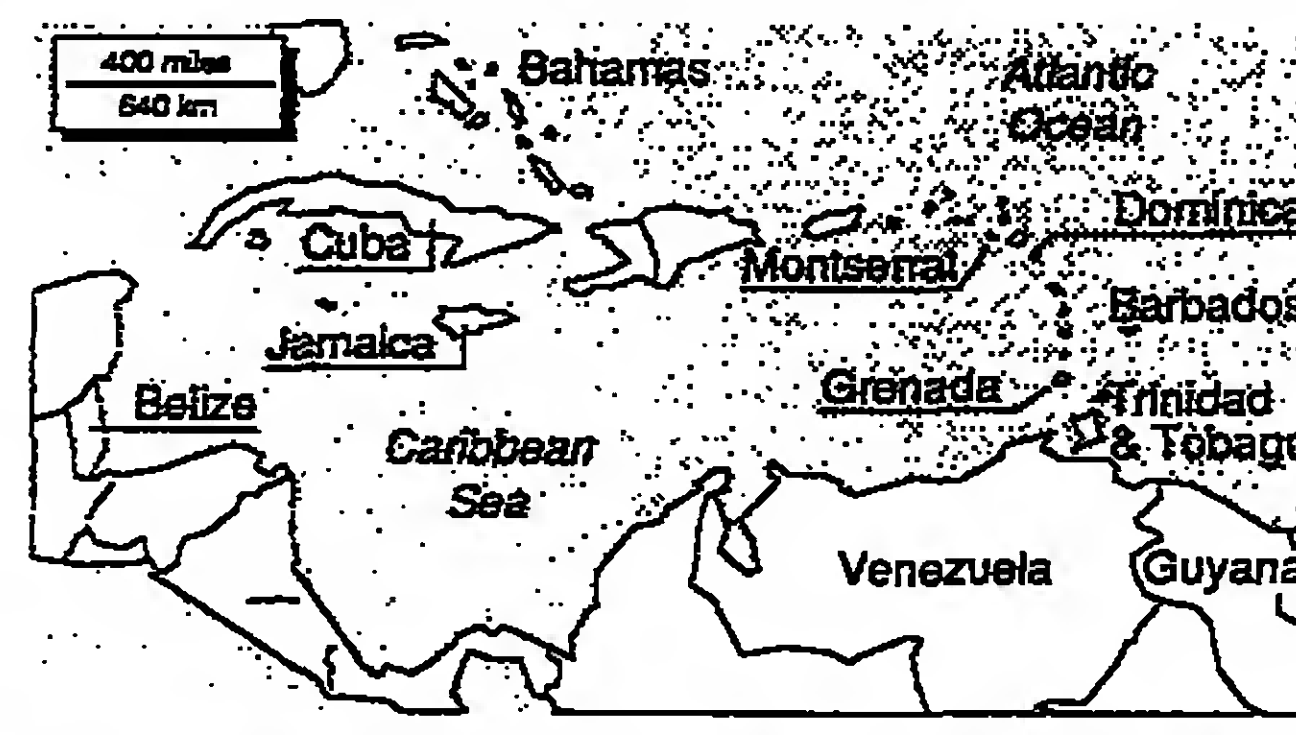
THE CUBAN government, faced with the collapse of the former communist trading bloc Comcon and threats from the Soviet Union to cut its economic lifeline, has turned with some success to its Caribbean neighbours.

For the first time, several Caribbean states are supporting Cuba's calls for an end to the US trade embargo on the island, imposed 30 years ago. Havana, meanwhile, is seeking to become a part of the Caribbean Economic Community (Caricom).

Regional support for lifting the trade embargo, indicated by statements from the Trinidadian and Venezuelan governments, is unlikely to be well received in Washington, despite close links with nations supporting the demand.

Mr Sabdeo Badeso, Trinidad and Tobago's foreign minister, said: "With all the fundamental changes taking place around the world, we feel the US would wish to undertake a positive review of its policy towards Cuba, a Caribbean nation with which we are tied by more than diplomacy."

He suggested the new relationship between the Soviet Union and Cuba, which "could help to liberalise the process inside Cuba instead of maintaining a siege mentality," offered an opportunity to Washington. His opinion is shared by the governments of Jamaica, Guyana and Barbados.



Venezuelan support for Cuba's position has come from President Carlos Andrés Pérez who said the island was no longer a threat to the US. Mr Pérez added there was no need for Cuba to be punished through isolation but that the Castro government had to open itself to democratic reforms.

The Cubans are likely to consider the regional support just reward for a diplomatic offensive which President Fidel Castro's administration launched last year. High-level delegations from Havana have been turning up at regional economic conferences, arguing for a more prominent place at the table.

Mr Ramon Sanchez Parodi, Cuba's deputy foreign minister, said: "Cuba considers that it is its right, as a Caribbean nation, to participate in the social and economic activities in the region. We have been developing and rebuilding our links with countries in the

Caribbean, and Cuba would want to become a part of Caricom, if this were possible."

"We believe there should be a joint approach in the Caribbean to meet new international challenges. Cuba has two options - to be isolated or to integrate."

But Cuba's hopes of widespread regional support are bedevilled by a diplomatic row with Caricom over the recognition of Grenada's government.

The impasse is rooted in the US military invasion of Grenada eight years ago following the overthrow in a palace coup of a government with close links to Havana. The Cuban government refused to recognise an interim administration which ran Grenada for a year following the invasion and the toppling of a junta which had taken over the country. Since then there have been two elected governments.

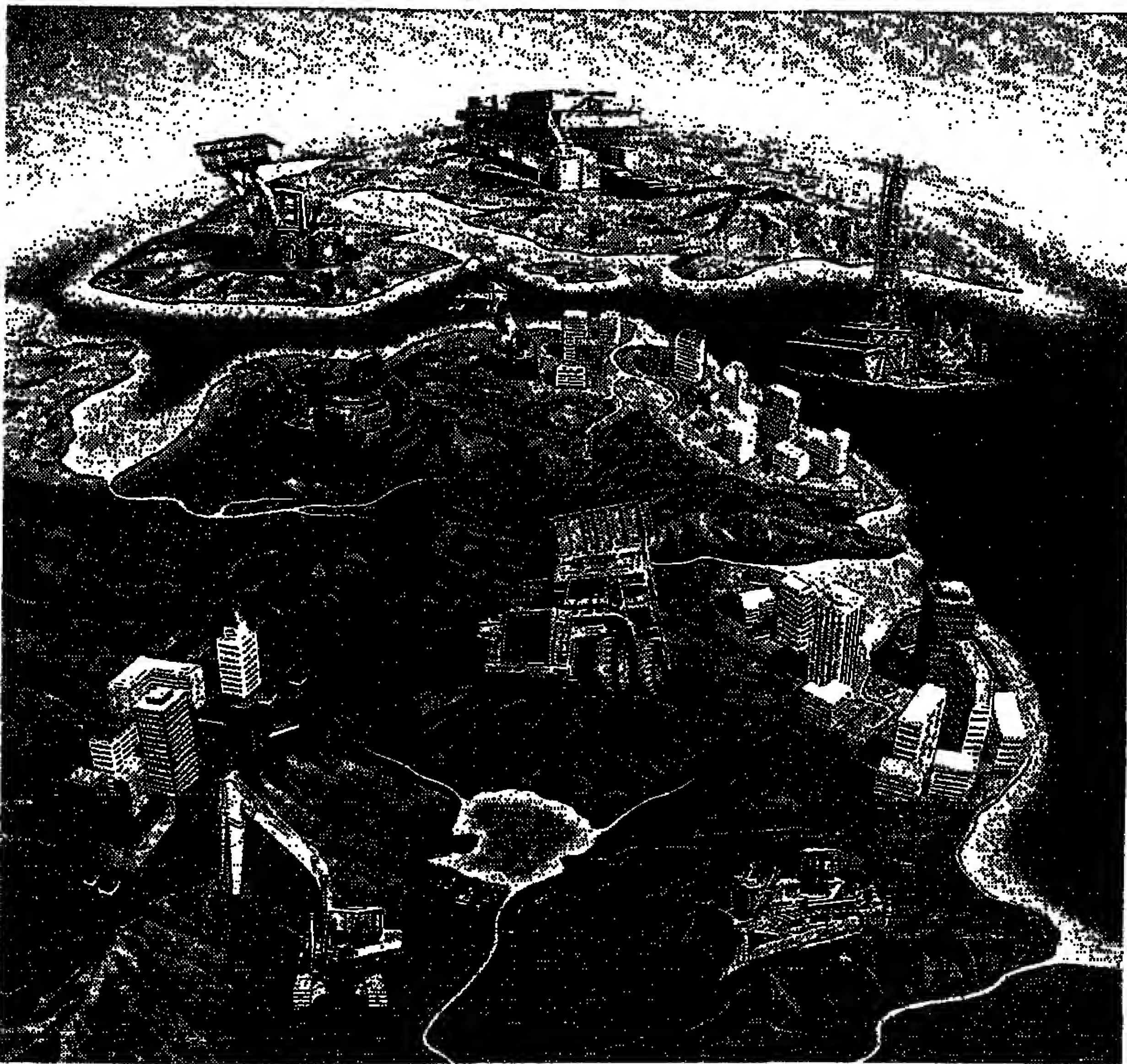
"We and our friends in the region have asked Cuba to indicate quite simply that they recognise the legitimacy of the government of Grenada," said Mr Nicholas Brathwaite, the prime minister of Grenada. "They claim they never broke diplomatic relations with Grenada, yet the Cubans have displayed hostility to the government of Grenada and have harassed the government in international forums."

Mr Charles Maynard, deputy prime minister of Dominica and chairman of the Caribbean Tourism Organisation, which Cuba wants to join, said Havana had repeatedly said it would recognise Grenada but had not yet done so. "We would prefer not to have Cuba in the CTO until this matter is resolved."

A senior official added Dominica was not ready to support the lifting of the trade embargo and would abstain from any UN vote on the matter. His remarks would be welcomed in Washington. But Mr Castro's recent statements underlining his adherence to socialism and the apparent resolve of the White House to lift the embargo only when there is an ideological volte face by Havana could strain ties between Washington and other Caribbean countries.

It is perhaps in anticipation of this that Mr Badeso warned: "It would be a mistake for us in this region, for the government of the US and other friendly partners to confuse Cuba with Romania or any of the east European countries."

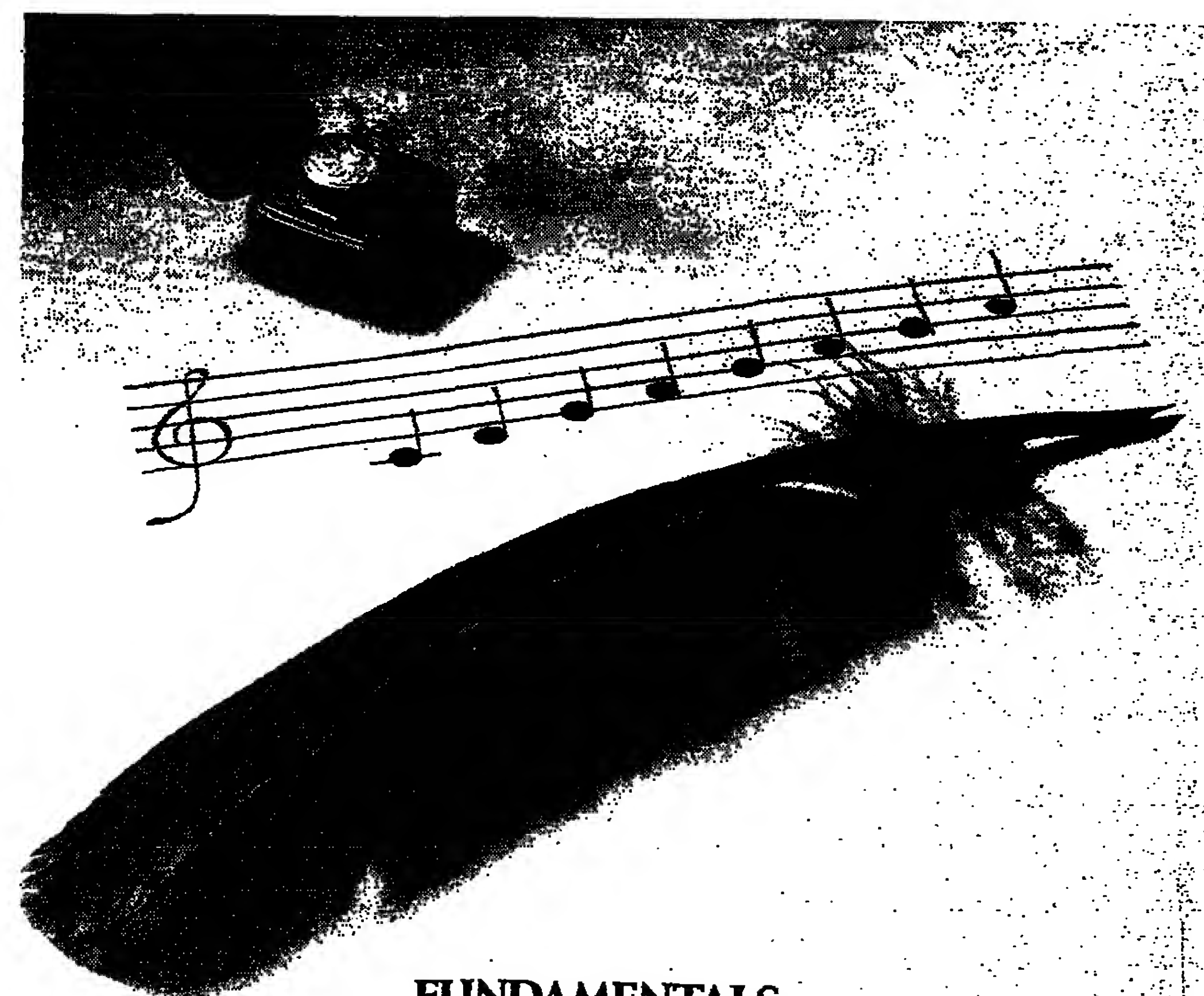
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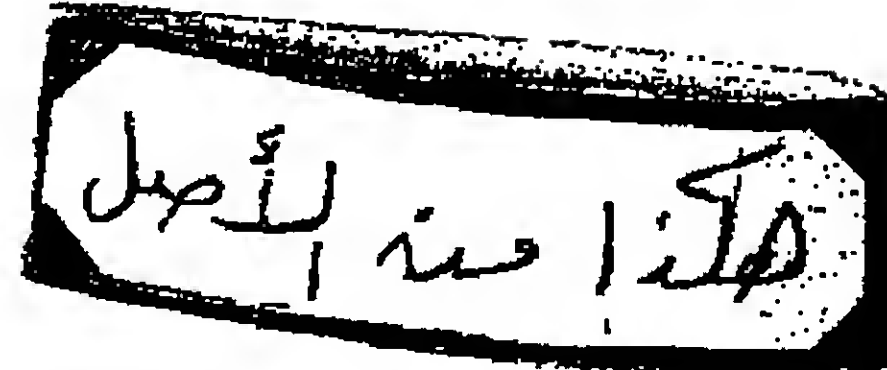
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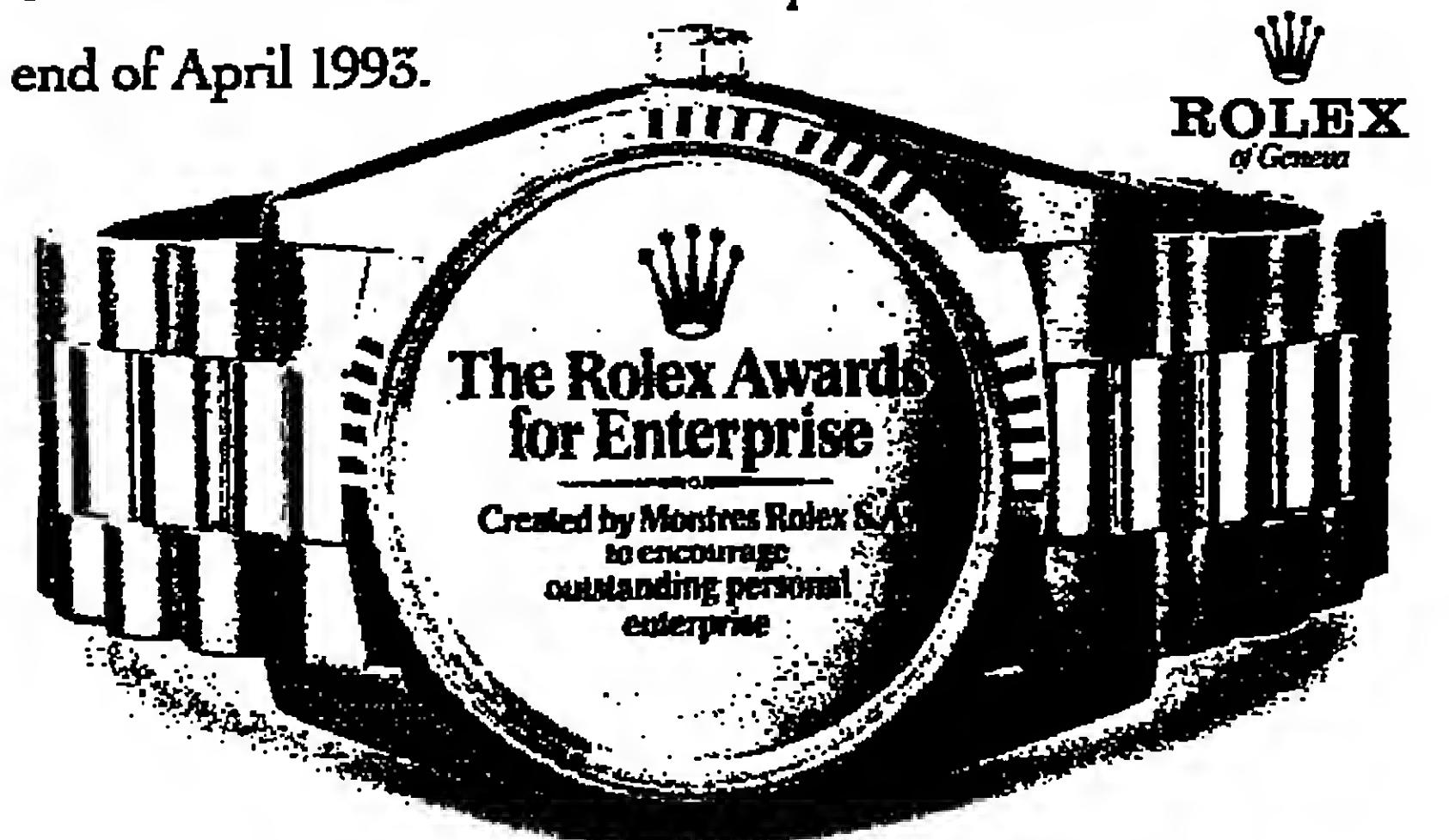
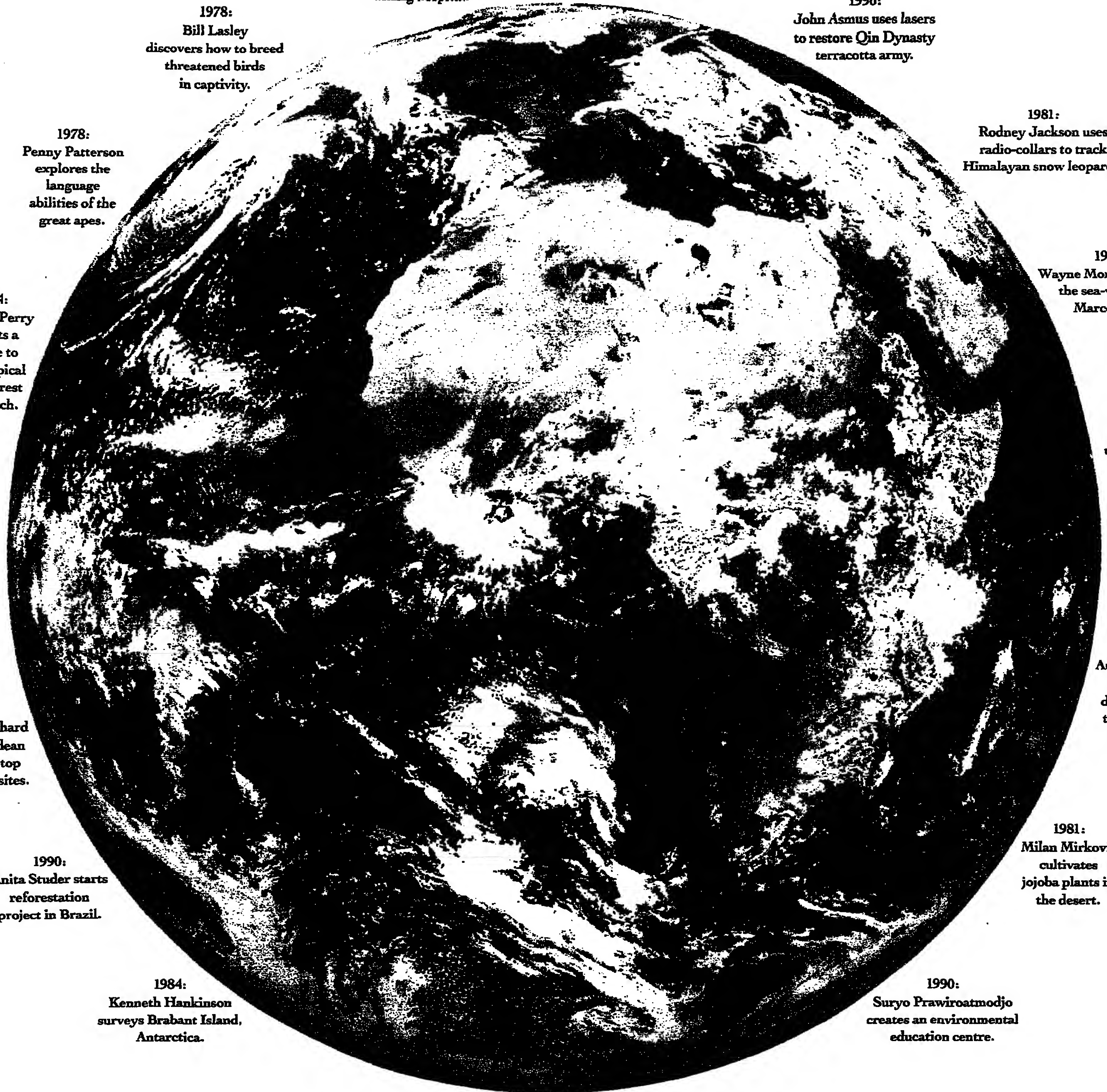
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UK NEWS

State borrowing running at double level of 1990

By Rachel Johnson, Economics Staff

PUBLIC SECTOR borrowing is running at double last year's levels, as the UK recession has reduced the government's tax take and raised its spending on unemployment benefits.

According to figures released yesterday by the Central Statistical Office, the public sector borrowing requirement (PSBR) in September totalled £2.9bn, some £1bn higher than the market had expected.

The news knocked a quarter of a point off the prices of government gilt-edged securities, as investors expected an increased supply of gilts on London's bond market to flow from sharply higher borrowing this year and next.

Mr Simon Briscoe, of Greenwell Montagu, said: "It was a double blow to the market - the fiscal position is bad, revenues are worse than expected and it came just before the Autumn Statement (on government expenditure for the year ahead) which is expected to raise spending by £1bn."

It was the half-yearly figures that most graphically revealed the pace at which the UK's fiscal position has worsened during the recession.

In the first half of the financial year the deficit was £10.8bn, exactly double the £5.4bn borrowed over the same period last year. Excluding privatisation proceeds - of which there were almost none in September - the deficit in the first six months of 1991-92 was £14.4bn, compared with £7.1bn the previous year.

The deterioration was mainly in the central government's own account, where the deficit grew by £7.7bn - excluding privatisation proceeds - between April and September compared with the same period last year.

On the expenditure side, outlays were increased by higher unemployment, increased child benefits and other commitments; on the revenue side, receipts fell as a result of lower income tax and corporation tax

receipts after last year's fall in profits.

Although the government attributes the swing into deficit to the cyclical effects of the economic slowdown, the pattern of the last few years suggests that its grip on spending has loosened.

In 1988-89 there was a £14.7bn surplus, which had fallen to £500m in 1990-91. Following yesterday's figures, economists expect a likely deficit of at least £10bn in 1991-92, and one of £20bn in 1992-93.

Yesterday's figures mean that the government has already overshot its £7.9bn PSBR forecast for this year. But the Treasury pointed out that it has not yet received the bulk of its privatisation proceeds and the benefit of "front-end loading".

This is the process by which most spending takes place at the beginning of the year and most revenues are collected in the second half.

BRITAIN IN BRIEF



Kvaerner Govan wins £44m order

The loss-making Kvaerner Govan shipyard in Glasgow - the last big shipyard on the Clyde - has won a £44m contract to build a 35,500 dwt chemical carrier for J O Odjell, the Norwegian shipowner.

The award of the contract means the yard's future, and the jobs of its 1,600 employees, are guaranteed until at least 1993. Kvaerner Govan said it hoped to announce further orders before the end of the year.

Under EC-wide shipbuilding subsidy rules, 13 per cent of the cost of building the Govan vessel will be met by British taxpayers. The contract is subject to formal EC approval of the subsidy.

Kvaerner will take a minority interest in all three vessels and collaborate with Odjell in their operation.

tracked in a previous four-month survey earlier this year. A separate report published by the Labour party says the number of 18 to 24 year olds who are unemployed rose by 54 per cent in the year to July, to 706,620. The study suggests that 1m people of this age group will be without a job, roughly one in three of the expected unemployed total.

5% of directors are women

Less than five per cent of company directors in the UK are women, according to a report published today by the Policy Studies Institute. The report, based largely on a 1989 Harward Society study of 180 large companies and building societies together with a recent survey of 22 women board members and the 24 chairmen of the companies they serve, says that more women are being appointed to the boardroom.

BC closes Coventry pit

British Coal is to close Coventry colliery, near the village of Severely, in Warwickshire, with the loss of 1,300 jobs, the company announced. The closure, which is the first since the publication last week of the leaked "Rothschild" list of the 14 British Coal pits fit for privatisation, is being interpreted by the local National Union of Mineworkers (NUM) as the harbinger of a government-led program of closures.

Midland first with code

Midland is the first of the UK banks to respond to pressure from the government and small business organisations for the publication of a written code of conduct.

The large UK banks came in for fierce criticism last summer for allegedly failing to reduce rates of interest charged to their small business customers in line with cuts in base rates. The Midland promised in its Business Banking Charter to tell customers how it calculates rates of interest; when charges will be deducted from customers' accounts; and to provide more

information on charges and give advance notice of price changes.

SIB rules on insurance

Sellers of insurance-related products will, for the first time, be required to tell potential customers how much of their premium payments will be deducted to cover sales costs and how much will actually be invested on their behalf, under proposals issued yesterday by regulators.

The Securities and Investments Board and the Life Assurance and Unit Trust Regulatory Organization (Laurto) stopped short of requiring sales agents to disclose commission payments at the start of the sales pitch - a move fiercely opposed by the industry. Instead, agents will tell consumers roughly how much total overhead - including commissions and bonuses -

will reduce their rate of return. The Office of Fair Trading and consumer groups have long urged that commissions be disclosed at the point of sale.

Guinness trial: NY rebuttal

A former executive of L.F. Rothschild, a New York investment bank, yesterday denied he tried to make "a quick buck" on dealings in Guinness shares, regardless of LFR's arrangements with Morgan Grenfell, Guinness's principal merchant bank during the 1986 takeover battle for Distillers.

The accusation was made by Mr Roger Seelig, former Morgan Grenfell corporate finance director, during his cross-examination of Mr John Angelo.

Mr Seelig said the essence of the arrangements between the two banks had been that LFR should buy Guinness shares.

Mr Angelo said his interpretation of the arrangements had been that "you were buying Guinness shares for yourself and, as a broker, our concern was really execution, not what your interest was."

Mr Seelig and Lord Spens, former corporate finance managing director at the Henry Ansbacher merchant bank, are jointly charged with conspiring to contravene the 1958 Prevention of Fraud (Investments) Act. Mr Seelig faces another charge under that act and two of false accounting. Lord Spens faces one false accounting charge. Both plead not guilty.

Barclays gets phone network

Barclays Bank has become the first customer of a BT plan to provide companies with large-scale internal telephone networks linking its HQ with 99 branches.

Tories include further hospitals in controversial health reforms

By Alan Pike and Alison Smith

THE GOVERNMENT decided yesterday to set up nearly 100 more National Health Service trusts next year, signalling a determination to fight aggressively for its health reforms in the forthcoming general election.

Mr William Waldegrave, health secretary, ignoring pleas from opposition parties and the medical profession to slow down, announced that a further 99 trusts would be established in April.

In addition four London teaching hospitals - St Thomas', St Mary's, King's College and St Bartholomew's - have been granted trust status.

But these will not become operational until April 1993,

after an inquiry into the reshaping of health care in London.

The trusts, which include community and ambulance services as well as hospitals, will join 57 others established this year. Mr Waldegrave has agreed that 153 more hospitals and health units can seek to become trusts - which are run by their own boards outside direct health authority control - from April 1993.

Trusts, said Mr Waldegrave, represented a necessary modernisation and simplification of health service management, and the "campaign against trusts and against devolved management fostered by the opposition has failed."

The government knows,

however, that the opposition will use yesterday's list of trusts to run local campaigns against its health reforms in the election.

Tory backbenchers cheered the health secretary's announcement in the Commons, although one or two expressed some concern about the difficulties likely to face trust hospitals on the experience of the first wave.

Mr Robin Cook, opposition health spokesman, said trust hospitals in the first wave were in deficit in London, Leeds, Liverpool, Sheffield, Crewe, Manchester and Southend, and questioned how the government could take the risk of putting more hospitals into "the same unproven market".

Union report on factory jobs

Job losses in manufacturing industry are accelerating, the Amalgamated Engineering Union says in a report published today.

The union's survey comes as the government is expected to announce a 55,000 increase in unemployment across the economy last month, taking the jobless total to nearly 2.5m. Many economists expect the total to continue to rise, to about 3m by mid-1992.

The AEU has identified 32,717 job losses in manufacturing in the two months to October. That compares with a similar number of job losses

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UK NEWS - COMMERCIAL BROADCASTING

Sharp picture emerges of TV in the 1990s

Raymond Snoddy looks at the future of the UK independents after yesterday's franchise awards

AT THE END of the tense London press conference called to announce the winners and losers in the commercial television world of the 1990s, Mr George Russell, chairman of the Independent Television Commission, stated his case with precision.

"Quality has won on this occasion and the viewers will win," he predicted, adding "it gives us a chance to have a strong system with very good players."

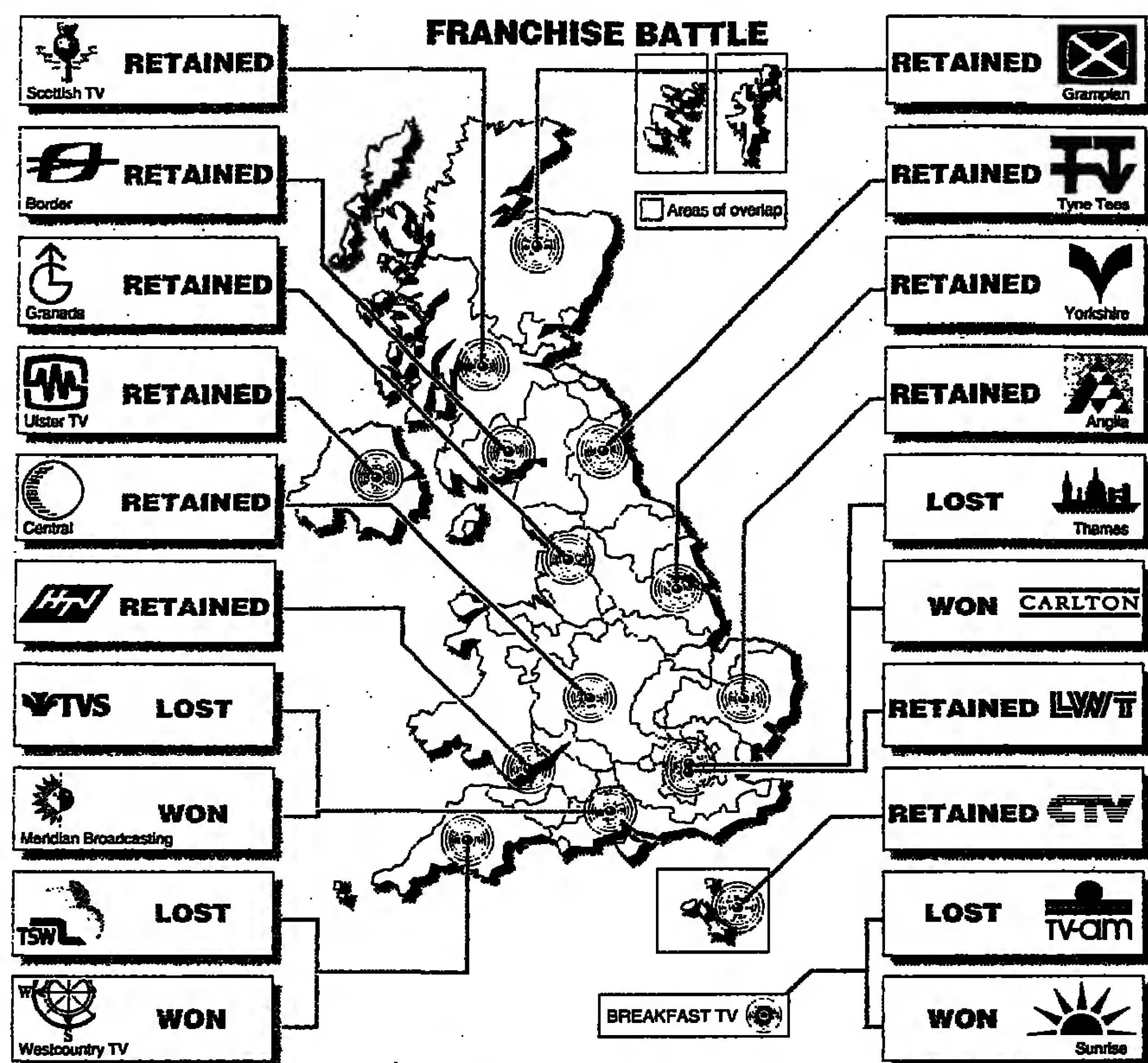
That strength will be needed. Independent TV has only one year from the start of the new licences on January 1 1993 to shore up its defences against potential predators, particularly from continental Europe. Mr Russell's words marked the end of a three year process that has seen the concept of quality come increasingly to the fore, almost overshadowing the cash bids in the competitive tenders for the new batch of UK 10 year broadcasting licences.

Yesterday's drama not only had a strong plot. There was even a symmetry to the pattern of losers - two losers who didn't bid enough, Thames and TV-am, and two, TVS and TSW, who bid so much they were judged unable to sustain a service of quality.

The most surprising bid winners turned out to be old hands at the game - Mr David Plowright, chairman of Granada Television and Mr Christopher Bland, chairman of London Weekend Television. Both showed enormous nerve under fire from serious opponents, with Mr Plowright bidding just 59m against North West Television's 235.3m and Mr Bland bidding just 27.85m against London Independent Broadcasting's 235.4m.

Mr Russell's claim that quality had won is apparently backed up by the fact that the ITC believes that the net extra money flowing out of the system to the Treasury will only be 240m a year at 1991 prices because the bids are tax deductible and ITV will save 245m a year by not having to pay for the Welsh Fourth Channel any more. If the 240m forecast stands up, this amounts to an extra charge of only a few per cent on the current level of ITV revenues of around £1.6bn.

At a superficial glance, leav-



ing aside the tears and theatrics, it looks as if a typical British informal deal has been struck. Change yes, but not too radical please. Only four of the 16 existing ITV companies lost their right to broadcast. How competitive a tender was that?

In spite of all that the effect of yesterday's awards on independent television is the most fundamental and radical change the system has experienced since its founding in 1955.

It goes much deeper than the fact that nearly one third of

the UK population will see new logos on their screens on January 1 1993. The system has been shaken to its foundations and a new competitiveness introduced into what was an officially sanctioned, commercially-funded monopoly.

Every ITV company has had to look at its cost structure in the past three years and jobs in the industry have been cut by a quarter to around 12,000. A further cut of 25 per cent in staff over the next two years is now likely.

However, the restructuring

goes far beyond mere cost-cutting. The replacement of Thames by Carlton and TVS by Meridian has placed radically different organisational structures close to the heart of commercial broadcasting. Both newcomers are "publisher broadcasters" who will commission most of their programmes, with the exception of news, from independent producers.

ITV moved reluctantly to let independent producers - a Peacock Committee recommendation - and the 1990 Broad-

casting Act says all broadcasters must give up 25 per cent of production to independents by 1993. The swing to independents will continue to gather pace and shift from a fully staffed, studio-based system.

The move towards a more competitive future will receive another push from the determination by everyone ranging from the government to the ITC and the Office of Fair Trading that the ITV network system should be reformed.

In the past the Big Five production companies - Thames,

Granada, LWT, Central and Yorkshire - have dominated the schedule of programmes shown throughout the UK. There have long been allegations of cartels, deals and the exclusion of the small ITV companies which lacked muscle.

Under the new system a central network scheduler with a programme budget of around £475m will, at least in theory, select the best ideas from wherever they come and compile the best possible schedule.

The squabbles will now get under way in earnest with the ITV companies, which are the paymasters, demanding some control over the activities of the central scheduler and insisting that independent producers should have no absolute right of access to the scheduler.

Mr Russell and the OFT are adamant that the central scheduler should have autonomy and that independent producers and their ideas should not be artificially excluded. "It is very much in the interests of new and old licences to sort it out. If they can't we have the authority to impose it," Mr Russell promised.

The ITV system now has only a brief breathing space to reorganise, produce a competitive schedule to face not just the BBC but the steady march of potentially powerful competitors such as cable and satellite television.

And there is the threat of predators in 1994. Mr Russell warned yesterday, however, that the ITC had a veto against takeovers. Those taking over ITV companies would inherit every obligation and responsibility including programme quality and the bid price.

After the last franchise round Lord Thomson, then chairman of the Independent Broadcasting Authority, said there must be a better way. It was a reference to apparently subjective judgments made on the basis of programme proposals. "It may not be a better way but this will be the last way it is done," he said. The structure outlined yesterday is designed to last for 20 years and after that there will probably be so many channels that ITV licences will no longer be a scarce resource that has to be auctioned.

Frost and Branson the first to seek court action over franchises

By Robert Rice, Legal Correspondent

CPV-TV, the consortium including Mr David Frost's Partridge and Mr Richard Branson's Virgin Group, was the first to announce yesterday that it would be seeking judicial review of an Independent Television Commission decision.

The consortium, which was behind Greater London Television's bid for the London weekday franchise, lost in spite of bidding £2m more than the winners Carlton. The board of CPV-TV described the ITC's decision as "manifestly unjust".

But CPV-TV and other losers considering legal action will find it very difficult to challenge the ITC.

The ITC has to make two subjective decisions in the context of each bid - whether an applicant passes the "quality threshold" and, if it does, whether there are any "exceptional circumstances" to justify awarding the franchise to an applicant who has not made the highest cash bid.

More importantly, however, the ITC is only obliged by the Broadcasting Act to give reasons for a decision based on exceptional circumstances. By basing all its decisions on the quality threshold test it has made the task of those wanting to mount a legal challenge that much harder.

As no reason has to be given the only evidence available to challengers to try and establish that the commission has acted outside its powers will be

published extracts of the rival applications.

For those who, like GLT failed at the quality threshold in spite of making the highest bids in their region the chances of mounting a successful challenge seem slim. For Thames and TV-am, both out-bid, they are even more remote.

Challenging these decisions in the courts was always going to be tough. To mount a successful challenge a loser would have to show either: procedural irregularity; ITC failure to take account of all relevant considerations in reaching its decision; or the taking into account of irrelevant considerations; that the ITC decision was so unreasonable that no reasonable commission could have come to such a decision.

On the surface the only real hope appears to lie in claiming procedural irregularity.

TVS and TSW both lost on the basis that they overbid. They could argue that by considering the size of a cash bid at the quality threshold stage the commission failed to follow the procedures laid down in the Broadcasting Act. But the act is ambiguous and the ITC is confident it has built a watertight case. Each decision was examined for loopholes by its lawyers.

The court can only refer the matter back to the ITC. At the end of the day it may still reach the same conclusions, but via a different route.

Airtime advertising likely to strengthen pool system

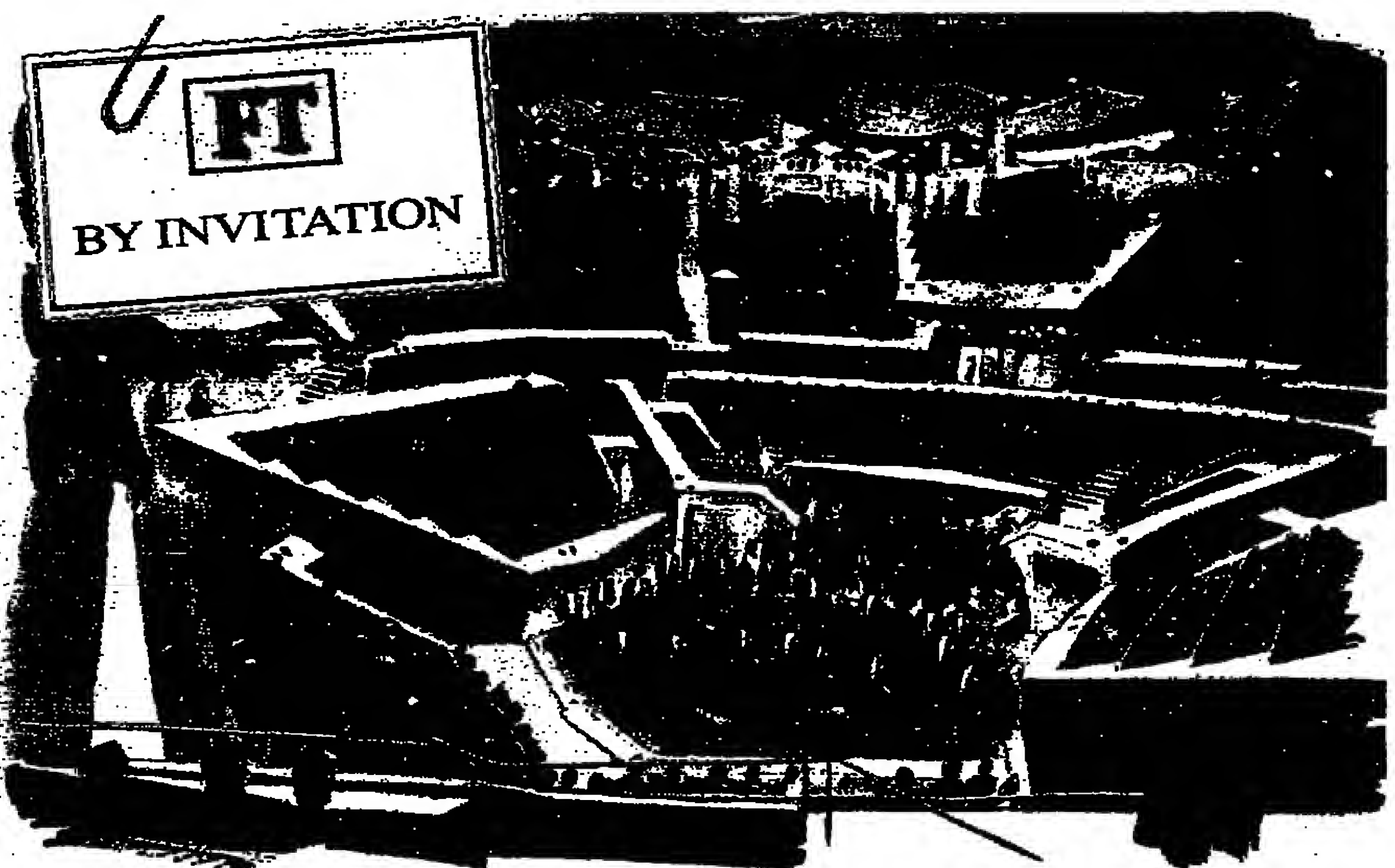
THE SYSTEM of buying and selling television advertising airtime is expected to change dramatically after the completion of the franchise bid process.

The trend for commercial television companies to pool their airtime selling into joint sales houses is likely to accelerate as the new license holders search for ways to cut costs.

In recent years a number of TV contractors have pooled their sales operations. London

Weekend and TVS, which held the franchise for southern England, joined forces as Laser. Yorkshire and Tyne Tees formed Media and Marketing Sales. Central, Anglia and Border sell their airtime jointly as TSMMS. HTV has also revised sales arrangements.

The other six contractors have been considering the feasibility of joining, or forming, joint operations. These plans were put on ice until they knew the outcome of the auction.



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Tickets are subject to availability and offer closes Nov. 15th, 1991. Berlin accommodation from 7th Dec. only. Addresses supplied by readers in response to this invitation will be retained by the Financial Times, which is registered under the data protection act.
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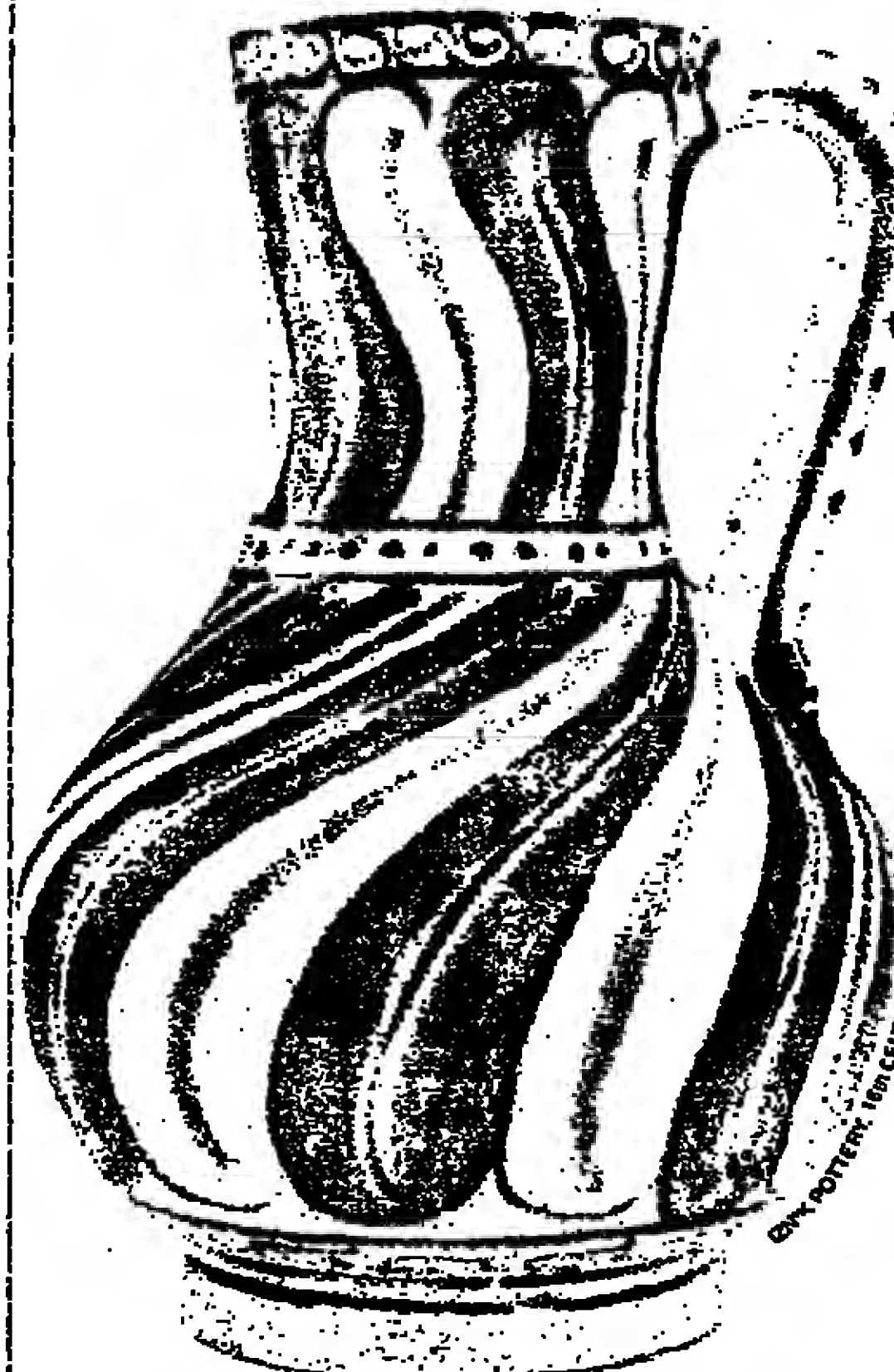
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TURKISH AIRLINES



MANAGEMENT: Marketing and Advertising

Beware! The category killers, which have stalked the US for years, have finally arrived in Europe threatening to devastate those they come across.

Category killers are not, as the name may suggest, a particularly nasty variety of serial murderer but – rather more prosaically – a retailing concept.

A category killer latches on to a narrowly-defined consumer market and sells high volumes of goods at low margins, with the aim of killing off the competition in that product category.

Whether it is computers, toys, cameras, stationery, or party products, the category killer can find a welter of market opportunities, seriously threatening the unfocused variety retailer selling a broad range of goods.

The concept has a lot of characteristics in common with the niche retailers which blossomed in the UK in the 1980s but mostly shrivelled in the recession.

But it differs in several important respects: whereas niche retailers offered premium products at premium prices from prime high street sites, the category killers offer basic products at commodity prices from edge-of-town superstores.

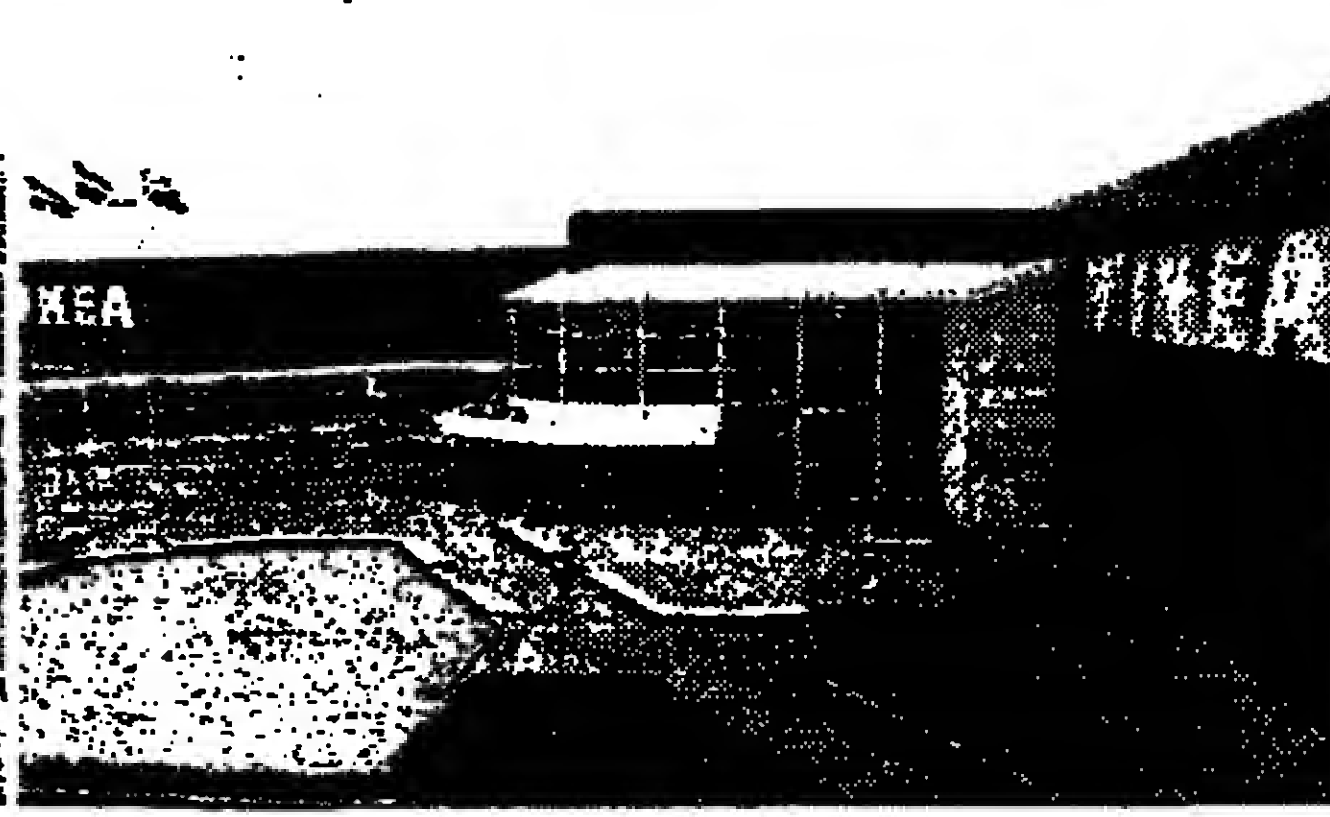
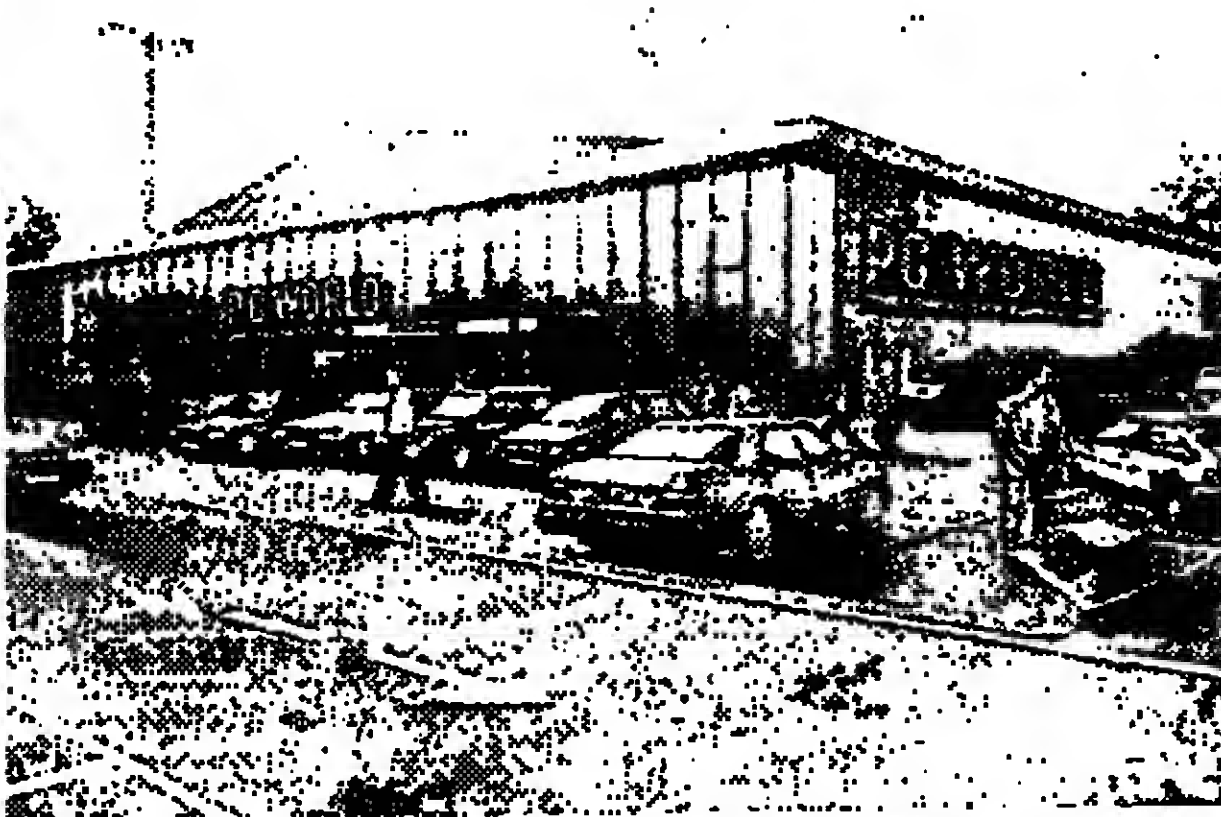
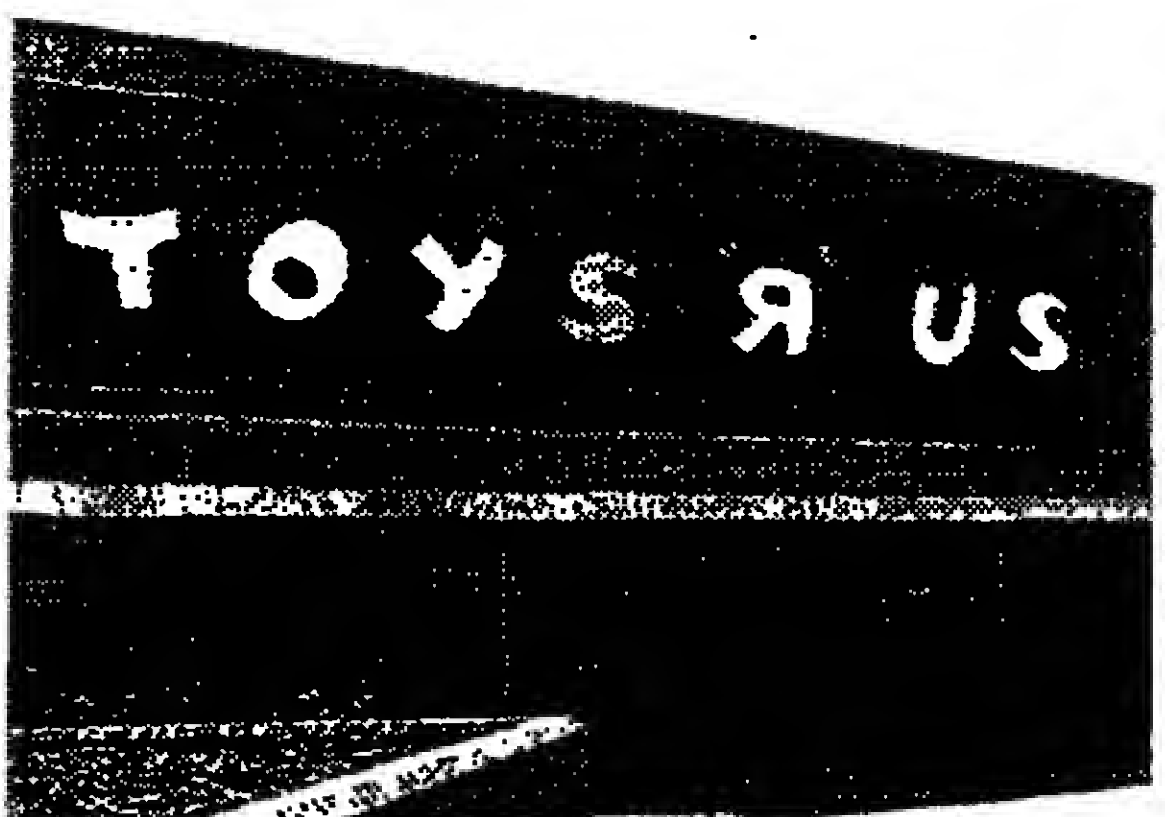
Some category killers, such as the Toys "R" Us toys and games chain, are a direct import from the US. But European companies have also learnt the skill.

Ikea, the successful Swedish furniture group, is one of the more sophisticated examples of the phenomenon. Its vast edge-of-town superstores offering a range of furniture and home furnishing goods have already had a marked impact on the UK market despite there being only three stores.

But one of the most intriguing applications of the category killing rationale could be PC World, a computer superstore which is due to open in Croydon next month.

Sheer murder down at the shops

John Thornhill explains how 'category killers' are moving into British retailing



Toys "R" Us, PC World and Ikea superstores: latching on to a narrowly-defined consumer market and selling high volumes of goods at low margins

The 30,000 sq ft store will sell 3,000 personal computers and accessories at 3 to 5 per cent above mail order listed prices but still some 20 per cent below those of most rival high street operations.

The idea has been developed by Jan Murray, chairman of Vision Technology Group, who runs one of Europe's largest computer mail order companies with a turnover of around £35m a year.

After studying the American market intermittently over a six-month period, Murray believes there is a great opportunity to bring the computer superstore concept to the UK.

His initial blueprints drew heavily on his study of the US operators and were fleshed out by Eleanor Fleming, who was formerly operations manager of Fry's Elec-

tronics, a Californian computer superstore chain.

"We will sell the computers supermarket-style. One example of each computer will be on display and next to it will be a pile of boxes that shoppers can simply pick up and take away in their trolleys," he says.

Murray says computer superstores "revolutionised the market" in the US, growing from six stores in 1987 to about 78 today. He believes the UK may be ripe for a similar development although he admits that this conviction is based on gut feel more than analytical rigour.

There are two schools of thought in the industry," he says. "There are a lot of people saying we are a year too early and that the way

people buy computers and the amount of disposable income is not as advanced as in the US.

"But the other argument is that even if the British market is not as far down the road at the moment, we have a store that in greater London and the home counties has a catchment area of 12m people."

PC World's success will depend crucially on the volumes the business can generate. "We can work on very low margins so long as we can move the product through our operation," Murray says.

Although he will not be drawn on what sales he is projecting for the store, he points out that similar – if much bigger – superstores in the US turn over \$75m a year.

The company will benefit from the buying power it has built up

through its mail-order business which in some cases enables it to sell computers at less than independent dealers' cost prices. And Murray says most of the significant personal computer companies, including Apple and IBM, have already agreed to supply their products to the store.

Driven to desperation by the current depression in the computer market, many companies appear willing to back any sales methods that will help sell boxes even if they do impinge on their traditional supply networks.

But as well as providing the right product at the right price, Murray believes the other vital ingredient for success will be how PC World promotes itself to potential customers.

Sales assistants in the store will be able to answer customer inquiries but their aim will be to provide general guidance rather than to steer the customer towards a partic-

ular purchase using high-pressure sales techniques. Moreover, in order to reassure customers, the store will offer installation and repair services and will stay open from 8am to 8pm, seven days a week, to encourage customer flow.

PC World will also spend more than £1m on promoting the concept by advertising in the national and specialist press and by running television advertising campaigns. The company will market itself direct to its mail-order customers by using its extensive database.

In total, Vision Technology will spend £3.5m on developing PC World during the first year of operation – a level of outlay which can only be fully justified if the franchise is subsequently expanded.

Murray says he would like to open another store in north London within the next six months. "But we want to get a feeling for whether we have the formula right. We will know that within the first few weeks of opening," he says.

Ultimately, Murray suggests that the UK personal computer market – which is variously estimated to be worth between £2bn to £3bn – could accommodate about 24 superstores.

But he hastily points out that this could not be funded out of the privately-owned company's present cash flow. "We would either have to go public or seek an injection of venture capital," he says.

The fate of PC World will provide an interesting indicator of whether the European market can assimilate the superstore concept. It could well be that the nature of the markets and the structure of the costs differs too much from the US to make it a viable business proposition.

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Japanese magazines turn over a new leaf

Emiko Terazono reports on a move to include social consciousness between the fashion spreads

Takako Sato, a 27-year-old Japanese office worker, complains that she is "tired of being pushed around by what the magazines say". A tall woman in a fashionable mini-skirt, she explains that although she was once an avid reader of several weekly and monthly magazines, she does not buy the glossy fashion titles regularly any more. "I need something more original."

Last month's launch of I-D, Japan's version of the British youth magazine which wants to put social consciousness between the fashion spreads, comes at a time when publishing houses are continuing to turn out new titles to satisfy readers like Sato.

Many Japanese readers

became weary of the commercialism of the late 1980s. Publishers noticed a shift in readers' tastes from high fashion to higher consciousness, and rushed to fill the perceived gap in the market; new launches totalled 155 last year, and the total is expected to rise to 200 this year.

Magazines are the fastest growing area of the publishing business, with annual sales rising about 3 per cent compared with 1 per cent for books. Magazine sales totalled

35.9bn copies in 1990, up from 31.8bn in 1986. Advertising revenue has also been rising steadily, reaching ¥374.1bn (£1.67bn) in 1990, 11.5 per cent higher than a year earlier.

Kiyoshi Yoshizawa, president of UPU, the publisher of I-D Japan, explains that the company wanted to launch a magazine which was markedly different from the glossies, like Vogue and Elle, previously targeted at young people.

Yoshizawa had been drawn

to I-D's coverage of the British anti-poll tax campaign, which "was not telling young people to be anarchists, but gave a logical explanation of ideas and arguments."

Yoshizawa believes many young Japanese are dissatisfied with the quality of existing titles. These have been no more than manuals with detailed instructions on how young men and women should dress and what they should buy, where they should go and how they should behave.

Japan's youth has looked to magazines for information and has been eager to follow the instructions they give. Many have flocked to eat out at the featured restaurants and to buy trendy advertised clothes. For example, Hanako, a trend information magazine for women in their twenties, has left many a proprietor anguished by the sudden wave of enthusiastic young female customers, which disappears only too quickly.

"Information has been too

controlled, and one is forced to think a certain way. A lot of young people are starting to feel that there is something wrong or missing," says Yoshizawa. Articles in I-D are original, but with the same underlying editorial concept as the UK version, which concentrates on youth and street culture. I-D Japan now has a circulation of 214,000, while the UK version, distributed by the Time Out group, has a circulation of 80,000.

Other new titles are also

moving away from fashion or product information. For example, the subtitle for Fran, a women's bi-weekly magazine launched last month, is "a beautiful head" meaning that intelligence and cultural understanding is essential to a woman, and it is no longer enough to try to be beautiful only on the outside.

Tanashi Saito, editor in chief of Crea, a culture and opinion magazine for women in their late 20s, says that the Japanese woman buying up

branded goods as a form of self-identification was a phenomenon of the 1980s.

"Women are now rejecting the role of the consumer leader, buying up everything in sight, and now want to be seen as intelligent and sophisticated," says Saito. New titles for men are also concentrating on the intelligence theme. A number of current affairs magazines looking at world politics and economics are targeting readers in the 25-35 age range.

This trend has even started to change the nature of advertising in magazines. Saito at Crea points out that advertisements are now focusing on the images and lifestyles of people who use or wear the product, rather than the product itself.



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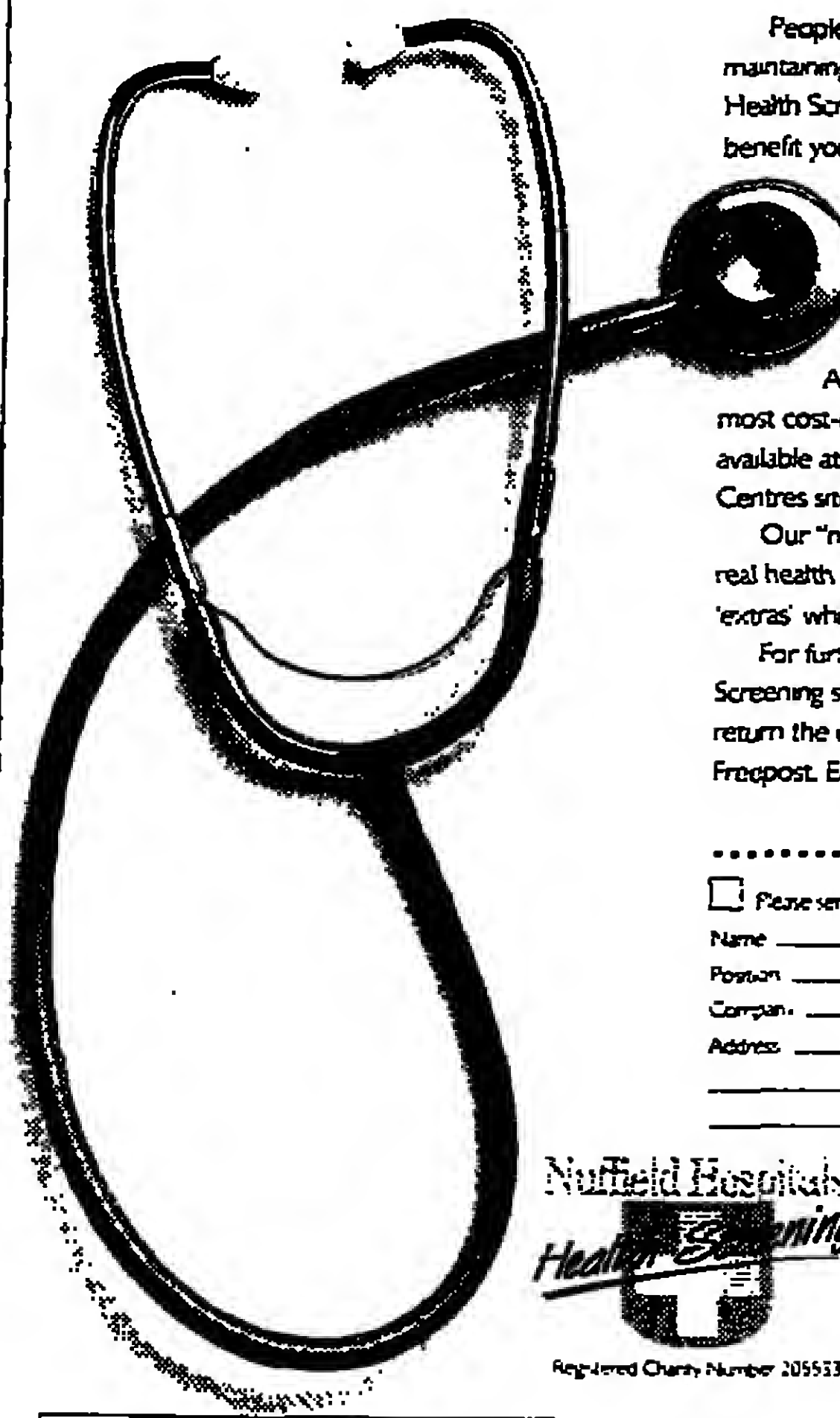
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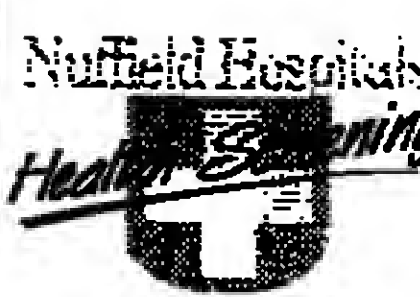
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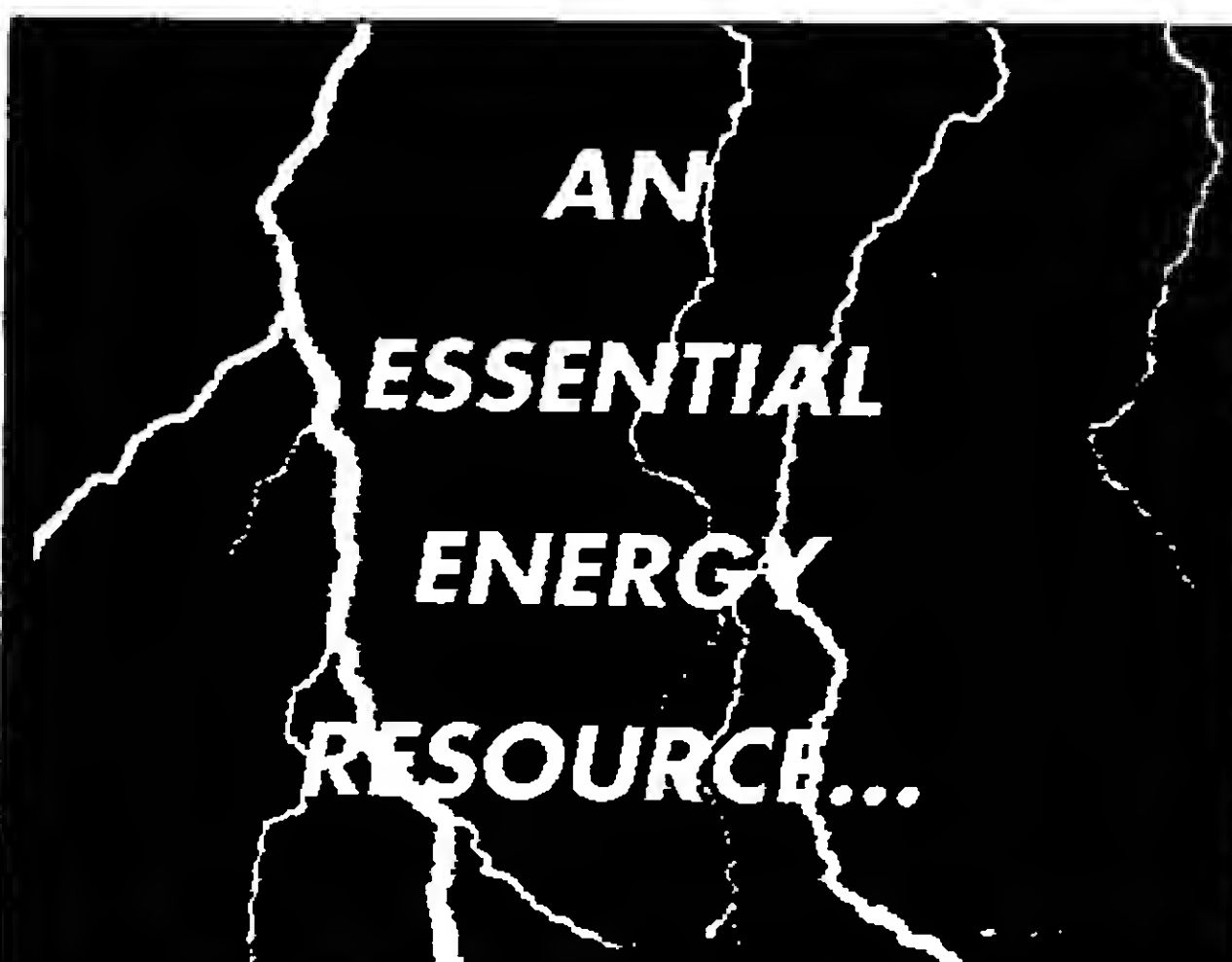
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Gatwick	LH1608	07.10	08.00	
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BUSINESS LAW

Romania pursues its own road to the market economy

By Rodica Seward, Steven Glick and Jean-Yves Martin

IN AUGUST, after less than two months of debate in parliament, Romania passed its privatisation law. While it contains elements of the Polish and Czechoslovak approach to privatisation of state-owned enterprises, Romania's legislation also provides further proof that each former Soviet bloc country is pursuing its own road to a market economy.

Two factors distinguish the Romanian approach to privatisation: the government's extremely receptive attitude to foreign investment; and the method of distributing, free of charge to Romanians, securities that represent, in aggregate, a 30 per cent indirect interest in state-owned commercial companies.

Under the privatisation law, foreigners can participate in the privatisation process without limitation. Both the shares and assets of more than 6,000 state-owned commercial companies may be sold to foreigners.

Taken together with Romania's foreign investment law, which was passed in April, the privatisation law creates a very liberal, though not yet complete, framework for foreign investment.

Foreign investors now have the opportunity to own 100 per cent of Romanian companies and are permitted to freely repatriate profits made in convertible currencies and, to a more limited extent, in lei (the Romanian currency).

The foreign investment law includes generous tax incentives for foreign investors. These include exemptions from payments of taxes on profits for between two and five years depending on the type of business activity, and exemptions from customs duties for all imported machinery, equipment, installations, transport and other goods connected with the investment. The law also provides exemptions, for two years, on imported raw materials and components necessary for production and contains guarantees against nationalisation and expropriation of investments.

The privatisation law's so-called "transfer programme", which sets out the method for distributing securities in state-owned industries to Romanians, represents another novel attempt by an east European country to compensate for the lack of domestic capital; it also represents a way to enable citizens to participate in, and directly benefit from, the privatisation process.

The transfer programme differs from the much-publicised and criticised voucher (or coupon) system in Czechoslovakia and, to a lesser extent, from the investment funds approach in Poland, which was unveiled in June.

Still, all three approaches are based on certain common objectives, including the desire to accelerate the privatisation process, promote wide share ownership and encourage the development of capital markets.

The transfer programme has been designed to minimise administrative delays and to ensure its quick implementation. As such it is less complicated than either the Czech or

Polish schemes. The privatisation law provides that 30 per cent of the shares of each state-owned commercial company will be transferred to five Private Ownership Funds (POF). The National Agency for Privatisation will determine how shares of specific commercial companies are allocated among the POFs.

Each POF will issue one certificate of ownership to each eligible citizen. All citizens living in Romania over the age of 18 on December 31 1990 and not barred because they have criminal records will be eligible.

The certificates of ownership will have a nominal value in lei and will be in bearer form. Citizens will be permitted to transfer their certificates to other Romanian nationals immediately and to non-Romanians after a period of five years. Eventually, the certificates will be traded on a stock exchange that is to be organised in Bucharest.

As the market develops under the new privatisation regulations, the certificates of ownership and the shares of commercial companies will be exchangeable. To this end, POFs will offer a brokerage service operating on the basis of market rates for both types

Taken together with Romania's foreign investment legislation, the privatisation law creates a very liberal, though not yet complete, framework for foreign investment

of securities. The POFs will function as joint stock companies operating on commercial principles. However, because of the difficulty of arranging for millions of citizens to vote at, and attend, annual meetings, shareholders - citizens holding certificates of ownership - will for a period of five years be ineligible to vote.

Instead, the board of directors of each POF will make all significant decisions concerning the POFs. The POFs have an obligation to manage the shares allocated to them so as to maximise the value of the certificates of ownership. In so doing, they may buy or sell shares as they see fit. The POFs will distribute dividends, if any, to holders of certificates of ownership.

The remaining 70 per cent of the shares of commercial state-owned companies will be transferred to a State Ownership Fund (SOF), created under the privatisation law as an independent legal entity.

Although a public institution, the SOF will also function along commercial lines. It will have its own budget, and will maintain accounting records in accordance with standards applicable to commercial companies. It will be partially exempt from tax on income.

The SOF's primary obligation will be to reduce its ownership interest in commercial companies until their complete privatisation. To achieve this, it is obliged to prepare commercial companies for privatisation by increasing their efficiency. It will restructure, rehabilitate and, where necessary, liquidate commercial companies, to eliminate loss-making operations and maximise profits.

The privatisation law contains various provisions intended to start the process of selling state-owned companies with minimum delay. Because it will take time to set up the SOF and POFs, the law contains procedures for the early privatisation of certain commercial companies. The National Agency for Privatisation will be responsible for selecting the commercial companies to be privatised immediately.

The proceeds from the sale of shares in companies in the first phase of privatisation will be distributed on a 30:70 ratio to the POFs and SOF, once they are up and running.

The first phase of privatisation will focus on the sale of assets; but the process may also include the sale of the commercial companies themselves, irrespective of the existence of the SOF and the POFs. The proceeds from the sale of assets will be retained by the commercial companies.

Undoubtedly, Romania's transition to a market economy will require substantial time and effort - and the results of the government's privatisation programme will play a key role.

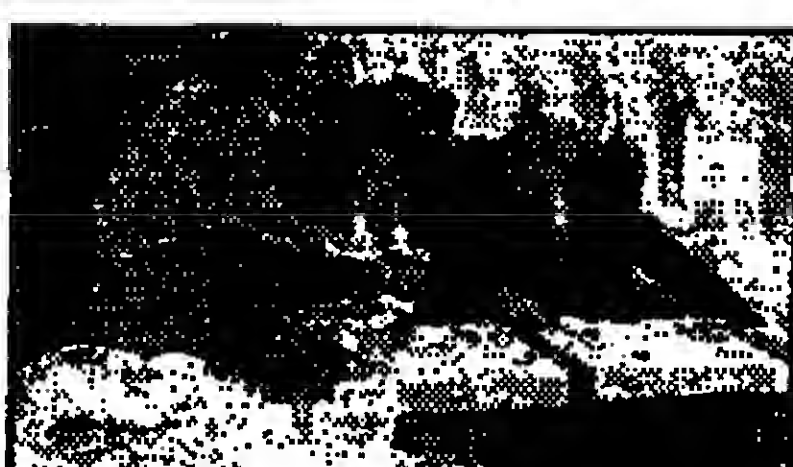
Over the past nine months extraordinary progress has been made on the legislative and economic road towards a market economy.

Yet the transition to democracy has reached a delicate stage. Following the recent miners' riots and the resignation of the Roman government, the outlook may, temporarily, look uncertain. But Mr Teodor Stolojan, the former finance minister and state secretary in charge of the National Agency for Privatisation, is the prime minister designate, and given his previous commitment to the reform process it is to be hoped that the economic reform programme will soon be back on course.

With a well-educated population of 23m (the largest in central and eastern Europe after Poland), little external debt, an extremely strategic location (both on the Danube and the Black Sea) and a rapidly transforming legal and economic environment, Romania should prove very attractive to foreign investors, particularly those operating in agriculture, communications, consumer goods, light industry, pharmaceuticals and services.

Ms Seward is a partner in the Paris office of Coopers & Lybrand; Mr Glick is with the London office of Coopers & Lybrand; and Mr Martin with the Paris office of the international law firm Shearman & Sterling.

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Law pursues road to the economy

and Jean-Yves Martin

The SOF's primary aim will be to ensure that the companies which are privatised will be able to raise capital in the market. It is expected that the SOF will be able to do this by providing the companies with the necessary financial support and by ensuring that they are able to raise capital in the market.

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TECHNOLOGY

Photos
fox card
thieves

The banks have recently been discussing putting photographs on credit cards to combat fraud. But Avant of West Concord has come up with a card which identifies its holder in a different way.

Instead of carrying the holder's photograph on the card, the card is placed in a terminal with a small television screen on which the holder's photograph and other identifying information can be called up from a central database.

The card operates on magnetic stripe technology and is cheap to produce. It is made of a strong plastic material for added durability over conventional vinyl cards.

Terminals are relatively expensive - around \$1,500 (\$870) at the moment, though in mass production their cost would probably fall below \$500. The system operates on line, though the database does not necessarily have to be further away than an in-house PC.

Against this the Visiflex, as Avant calls its system, has some practical advantages. Cards in effect lose much of their significance. The important point is the recognition of the customer through the image which appears on the terminal, if necessary supplemented by other data about him and his account.

If a card is left at home, a set of numbers can be tapped into the terminal to call up the card user's details. Lost cards become much less of a threat because it is difficult for an unauthorised person to use them. A replacement card can be issued almost immediately.

Cards can be customised to show names, logos, and photographs if desired, but they can also be issued in an anonymous format without the need to show even the customers' name or distinctions between different categories of customer. All these details will appear on the screen.

So far the card is being used experimentally by clubs and universities. Avant believes that the system is also suitable for a wide range of banking applications.

David Barchard

Buying a stamp from the main post office in The Hague can be a pleasurable but rather disconcerting experience. Instead of a fortress-like row of bullet-proof counters hiding grumpy clerks, the place looks like a combination of modern bank and department store.

The retail revolution is finally hitting the last bastion of institutionalised shopping as post offices throughout Europe begin to shed their dull and dreary image for something more upbeat.

The Dutch are leading the way by remodelling 100 post offices in the style of their experimental office in The Hague. There, German-made self-service machines weigh parcels and produce a franking-style stamp if fed with the correct money.

An interactive video machine with a touch-sensitive screen gives information on financial services, such as mortgages, and clerks at open desks sell a variety of items from magazines to airline tickets. There are plans to start employment agencies within some Dutch post offices too.

Sweden, like the Netherlands, has had computerised counters - supplied by Philips since the 1980s. The computer directly into networks run by financial service partners who use the post office counters as their public outlet.

The Swedes are also experimenting with a range of self-service machines, such as those that convert foreign currencies, in an attempt to improve profitability and the range and quality of service.

Even the financially-strapped Czechoslovaks are preparing to install computers to assist their counter clerks in 2,000 post offices.

UK post offices will maintain the rubber stamps which they use as a form of certification, but by next year will provide 5,500 clerks with computer terminals to cope with the majority of transactions, in a deal with Unisys worth about £20m.

For those who regularly suffer the frustration and tedium of post office queues, such improvements seem long overdue. But a combination of government restrictions and commercial pressures (post offices throughout the world are state controlled) have conspired to keep these high-street outlets in a time warp.

This is beginning to change because, first, most governments want to reduce the high cost of running these enormous retail networks and, second, there is growing political pressure to inject more competition into post office services.

Peter Knight examines moves by Europe's post offices to modernise and expand their services

Putting a stamp
on progress

But this can become expensive for post offices because they are merely a conduit for financial services offered by third parties. The banks and insurance companies that operate via post offices are usually independent organisations which use the outlets as their public face. The post office takes fees and commission, much like insurance brokers, for providing the network.

John Roberts, managing director of the UK's Post Office Counters, the company responsible for running the high-street outlets, doubts that post offices will be able to compete effectively in the financial sector. "I'm sceptical that customers will see post offices as high-class financial institutions," he says.

The UK's plan is to concentrate on generating volume. Roberts's company is, however, heavily constrained by UK law which precludes it from doing deals with the private sector unless specifically approved by government.

A large amount of his business is government related, such as distributing pensions and other state benefits. Most

heads and increase the range and quality of services. Consequently, computer solutions for post offices are becoming a small but potentially profitable niche for computer suppliers.

But more interesting are the strategic differences between countries and the consequent implications for automation. The divide is, broadly, between those countries that see big profits in selling financial services and those that want to improve the traditional post office practice of selling low-margin products.

The Dutch and Swedes, for example, see a great future in offering financial services in post offices, such as loans and mortgages, where profit margins are high. The UK, however, is sticking to the traditional route of high-volume, low-value services, such as issuing television licences, car tax and state benefits.

Post offices looking for profits from financial products are increasingly competing with financial institutions. To do this they have to develop the same level of automation as the generally richer banks and insurance companies.

of this is paper-based - vouchers that are exchanged for cash at the counter. It is cheaper for the UK post office to process these transactions using semi-manual methods rather than to introduce full automation.

UK experiments with counter terminals which were connected directly to the computer systems of third parties proved very expensive. Consequently, the UK's plan is to introduce terminals that generate a daily report which is printed locally and then posted. The terminal is derived from one used in US post offices and supermarkets, with software developed by Post Office Counters.

The terminals, as in Sweden and the Netherlands, will print a receipt of each transaction. But the sound of the UK's ubiquitous rubber stamp will continue even in the most modern post offices.

"I would like to do away with the rubber stamp but it is still a very easy device to use and difficult to forge. People also like to have the stamp as a receipt," says Roberts.

While automation might not destroy some of the idiosyncrasies of post offices, all countries are agreed on one point: the post office's public face has to improve.

The modernisation theme has two strands. First, the fortress-like counters are removed, where possible, and replaced with friendlier low-level desks without glass. More self-service machines, dispensing anything from cash to self-made business cards, are provided in an atmosphere usually associated with a department store.

Second, the range of goods on sale is increased. The Dutch provide magazines, stationery and packaging. The UK is also planning to open more "Post Shops" within post offices, selling greeting cards and collectibles, such as special-edition stamps and coins.

The Dutch and the Swedes are less restricted on the range of services they may offer. This is leading them to experiment with selling travel services, such as ferry, rail and airplane tickets.

Unfortunately the one innovation that seems to be consistent throughout Europe is the television monitor pumping out banal commercial messages at the head of the queue.

Once you have been subjected to repeated, poorly-made advertisements about spectacular incinerators such as fold-away showers, the gleaming new post office can suddenly become a dull place.

Kidney drug
halts rejection

By Clive Cookson

Immunology Ltd, a two-year-old UK biotechnology company, has signed an agreement with Baxter Healthcare of the US to develop and market a new approach to preventing the rejection of transplanted organs.

The basis of the agreement is a drug, known as Anti-CD45, that was invented originally by immunologists at Cambridge University and taken up by Immunology Ltd, a company started in 1989 on Cambridge Science Park.

Kidneys are perfused with Anti-CD45 for about 20 minutes, after they have been removed from the donor but before they are transplanted. Current practice is to treat the patient after transplantation with drugs that suppress the immune system and reduce the rejection of the foreign organ.

Anti-CD45 contains a pair of monoclonal antibodies which bind to white blood cells in the kidneys. These foreign cells, known as passenger leucocytes, seem to play a more important role in rejection than the kidney cells themselves. The effect of the antibody treatment is to activate the recipient's immune system to destroy the cells quickly, before they cause acute rejection.

"This is a fascinating approach," said Terry Strom, professor of medicine at Harvard University. "Concentrating on the properties of the donor organ that can cause the body to reject it, rather than suppressing the recipient's immune system, should benefit patients while minimising side effects."

The first clinical study of Anti-CD45 was carried out in 1989 at Dulwich Hospital Renal Unit in London. Seventy-seven transplant patients received kidneys treated with the drug or a placebo; 63 per cent of those in the control (placebo) group and 18 per cent in the Anti-CD45 group showed rejection symptoms.

More extensive clinical trials will begin in the UK and US in 1992. If these give equally satisfactory results, Anti-CD45 is likely to be licensed by the US Food and Drug Administration and the European regulatory authorities in the mid 1990s.

Under the terms of the agreement, Baxter will fund the development of Anti-CD45 and will have marketing rights in Europe and North America. Immunology will manufacture the drug in the UK, using the facilities of Celltech, a well-established biotechnology company. Cambridge University will receive a royalty on all sales.

Hospitals in the US and Europe transplant about 20,000 kidneys a year. More than 60 per cent of patients experience acute rejection symptoms, requiring lengthy hospitalisation and high doses of anti-rejection drugs (the side-effects of which include increased risk of developing infectious disease or cancer).

Anti-CD45 will inevitably be a costly drug, the price of one kidney treatment, containing 2 milligrams of each antibody, is likely to be more than \$3,000. But it will still be an excellent value if it enables patients to avoid the consequences of rejection, which are much more expensive.

Researchers at Immunology and Baxter plan to investigate the effectiveness of Anti-CD45 in preventing rejection in other organ transplants, including heart, liver and pancreas. Current projections suggest that there will be about 50,000 transplants a year of all organs by 2000.

The agreement with Baxter, the world's leader supplier of kidney dialysis products and services, gives Immunology a solid financial base and will generate long-term cash flow, says Bill Duncan, chairman and chief executive. "It takes us out of the realm of start-up and into 'real' corporate growth."

Immunology was founded in 1989 with £5m venture capital funding. Apart from the anti-rejection drugs, it is developing treatments for cervical cancer, viral and auto-immune disease.

The next immunology drug is likely to be a "therapeutic antigen" which stimulates the immune system to attack cervical cancer cells. It might be ready to enter clinical trials late in 1992 or in 1993, says Alan Munro, research director. A treatment for herpes may follow in 1993-94.

Kevlar*, Nomex* and Tyvek*:
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When Captain Brown and his men go into action, they have to be quick but cautious. Their task is to protect people and the environment, in particular against dangerous toxic substances, contaminated dust and similar hazards.

Protective clothing can be a matter of life or death, in this job as well as in many others. For example, in bullet-resistant vests, or flame- or chemical-resistant overalls, KEVLAR and NOMEX III fibres and TYVEK spunbonded olefin play a vital role.



Cleanroom protective clothing made from TYVEK (Photo: Hoffmann-La Roche Inc.)

Tyvek also guards against invisible hazards.

Protective clothing of TYVEK is used wherever people come into contact with toxic substances or aggressive chemicals. TYVEK is a non-woven fabric that acts as a barrier. Not even minute pollutant particles or bacteria measuring no more than half a thousandth of a millimetre can penetrate this highly dense material. Garments made from TYVEK not only keep out asbestos dust and other dangerous particles, but also provide effective protection against chemicals during crop spraying. In cleanrooms, protective clothing of TYVEK prevents particles given off by the

skin from contaminating work areas, where even the smallest amount of dust would be a problem in micro-chip production, for instance.

Very light and exceptionally tear-resistant. TYVEK is a spunbonded olefin material produced by a unique process from millions of ultra-fine polyethylene fibres. The result is a lightweight material that combines the finest properties of film, fabric and paper. It is water-proof, has high tensile strength, is tear-resistant and unaffected by a large number of chemicals. No other material is so impenetrable, so strong, so light, yet breathable.

Coated versions of TYVEK are available to suit requirements in terms of barrier performance for specific toxic chemicals. Contact Du Pont for details from our permeation guide data book.

Nomex III - The fibre for fire-risk applications

Whenever fire and heat are involved, time is of the essence. A protective garment of NOMEX III can provide protection against fire for a critical period.

NOMEX III is a blend of NOMEX meta-aramid and KEVLAR para-aramid. The inclusion of KEVLAR prevents the material from breaking open when exposed to flame, and thus the skin is protected longer from the effects of heat. This invaluable feature makes NOMEX III superior to other heat- and flame-resistant materials.



A policeman's protective vest made with KEVLAR.

the majority of professional firemen are equipped with NOMEX III. So are an increasing number in Germany. In Italy, all 25,000 members of the national fire service are equipped with protective garments made from NOMEX III. And many military aircraft pilots and car racing drivers wear overalls made from NOMEX III.

Kevlar - A milestone in fibre technology When KEVLAR was developed by Du Pont, it set entirely new standards in fibre technology.

NOMEX III has another major advantage: its flame resistance is retained permanently, unaffected by either frequent washing or wear. And since the material made from this fibre is as much as 40% lighter than flameproof



cotton for the same protective performance, garments made with NOMEX III are also more comfortable to wear.

To check the degree of protection afforded as accurately as possible, a special test manikin was developed by Du Pont. Known as the "Thermo-Man", it is 1.85 metres tall and has 122 sensors distributed over its entire surface to register temperature, quantifying pain thresholds and the critical point when burns first occur. Public authorities and organisations are relying increasingly on clothing made from NOMEX III in the UK.

Never before had a fibre been so light and yet so strong, as well as corrosion-proof, heat-resistant, self-extinguishing, non-magnetic and electrically non-conductive. And it retains its useful properties from -40°C to +180°C.

Du Pont has now developed its second generation KEVLAR, the "Hx" Series, with properties even more outstanding. KEVLAR is used, for instance, to make bullet- and fragment-resistant vests for police and armed forces, and cut-resistant jackets for fencers as well as industrial workers.

Innovative technology means progress. KEVLAR, NOMEX and TYVEK are produced by the Engineering Fiber Systems Division of Du Pont, which also developed TEFLON*, TYPAR*, CORDURA* and high-strength Nylon. From house and home to air and space, these products have opened up new perspectives in countless areas.

Du Pont is one of the world's leading research-oriented companies, with 39 production plants and laboratories in Europe alone.

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DENVER

DETROIT

HAMPSHIRE

HONOLULU

KANSAS CITY

LOS ANGELES

LYONS

MADRID

MILWAUKEE

ARTS

Perrier pick of the Fringe

PURCELL ROOM
The Purcell Room on the South Bank complex is as atmospheric and welcoming as a customs shed. For years it was the venue where musical debutantes made their one and only public appearance before family and friends, and the most arcane cults - folkies, new music freaks, and poets - did their business in undisturbed solitude.

Now the management on the South Bank, fix up with subsidising misadventures, is trying to smarten up the place. The odd picture is promised and softer decor. Until the good times roll it has let the Room to the Perrier Pick of the Fringe, not a half-dressing convention but the best and brightest of the stand up comedians from this year's Edinburgh Festival.

It is asking a lot of performers whose natural environment is the upstairs room at a pub within touching distance of a crowd of out of their mind humour groupies to extract laughs from a sober, sensible, early evening audience slumped in leather armchairs and subdued by the sepulchral environment. But these men and women are pros and anyone wanting a safe, sanitised, introduction to stand up comedy has until Sunday to take a peek.

There are three shows on offer. *Struck Off & Die* features a couple of young doctors, Phil Hammond and Tony Gardner, who attempt to totally eliminate any lingering public confidence in the National Health Service. The propaganda is relentless but their passion and commitment can't be faulted. They represent the political heart of stand up comedy which so often gets in the way of the jokes.

For good natured humour much better go for Victor & Barry who at 7.15 every evening are in the *Scud*. They continue a strain of camp double acts which stretches back to the Weston Brothers. Byletcream and cravated they bring the latest gossip from the *Katzenbach* Amateur Theatrical Society whose productions are always more ambitious than the talent available. A refined and precious Scottish accent, plus a genius for letting the devious minds of the audience make outrageous connections, ensure that an evening with Victor and Barry is both cosy, and gently escapist.

The 9.15 spot on Thursday and Saturday is taken by Jack Dee, a more restrained performer. His cool stare and dead pan delivery make him the leader of the "miserable bastard" school of comedians. In practice he does not hate everything - just supermarkets, trains, and motorways. He gives a gentle, mordant, monologue on modern life, very English and with good natured observations on the lines of "why do parents take kids to the supermarket to snack them".

Dee almost won the top Perrier award this year. He was tipped by Frank Skinner who has done his stint at the Purcell Room but who is working his way around the country. Skinner is a total contrast - aggressive, scabrous, dominating, relying on a cheeky smile to get away with outrageously explicit fantasies. He is a brave choice and can only be seen in his true stand up environment, one hand supporting a whisky, the other, a chaser.

Antony Thorncroft

CINEMA

Marlowe with a camp gloss

EDWARD II
Derek Jarman
CITY SLICKERS
Ron Underwood
DOC HOLLYWOOD
Michael Caton-Jones
MANNEQUIN ON THE MOVE
Stewart Raffill
THE RESCUERS DOWN UNDER
Hendel Batoy and Mike Gabriel

"It's Marlowe improved" announced director Derek Jarman after the Edinburgh Film Festival premiere of *Edward II*. "It's a better ending", he added, as a dozen Eng Lit professors in the audience were already reaching for their smelling salts.

First sight for sore eyes: two nude men grappling on a bed as the king's lover Gaveston, fully-dressed in foreground, ponders his future. Next, a full-on fight between Edward (Steve Waddington) in verbal conflict with rebellious Mortimer (Nigel Terry), sporting a Sandhurst accent and accompanied by braying fox-hunting chums. Additional shocks to the system: a schaming Queen Isabella (Tilda Swinton) who sports a new modern-dress outfit for each scene, as if Joan Collins has blown in from *Dynasty*; Edward parting from Gaveston under a showbiz spotlight as Annie Lennox sings Cole Porter's "Every time we say goodbye"; and a gay rights finale with slogan-splashed banners and T-shirts.

Ever since Marcel Duchamp painted his moustachioed Mona Lisa, it has been "Do your own thing" season for today's artists. And a gay rights finale with slogan-splashed banners and T-shirts. Since he is also converting it into an alien art form, Jarman's impatient *à la mode* seems justifiable. What we question is not the attitude but the execution of the work. *Edward II* is a crumbly classic ripe for renovation. Since he is also converting it into an alien art form, Jarman's impatient *à la mode* seems justifiable. What we question is not the attitude but the execution of the work.

But Marlowe's play, while never a masterpiece, was always more than a tale of gay persecution. In giving one dimension of the work new life, Jarman allows the rest to look even more moribund than usual. When camp inspiration fails, the film falls back on RSC-style formula: the off-white box set with rough-plastered walls, the non-essential blank verse delivered like a grocery order, the crowd scenes modelled after Wapping or Gay Pride week. At its fifti-

that today's filmgoers will file by the coffin and kiss the cadaver.

Like any Jarman film, this one is heretically heretical. The man who gave us nude Christian martyrs in *Sebastiane*, camp sailors dancing to "Stormy Weather" in *The Tempest* and Adam and Eve remade as Adam and Eve in *The Garden* was born with a rare share of rude courage. Unintimidated by years of schooling in sacred English texts, the gay film-maker who has gone public about his HIV-positive condition makes movies about life constantly renewing itself: not least on the compost heap of classroom cliché.

But Marlowe's play, while never a masterpiece, was always more than a tale of gay persecution. In giving one dimension of the work new life, Jarman allows the rest to look even more moribund than usual. When camp inspiration fails, the film falls back on RSC-style formula: the off-white box set with rough-plastered walls, the non-essential blank verse delivered like a grocery order, the crowd scenes modelled after Wapping or Gay Pride week. At its fifti-

best *Edward II* is deftly re-embellished and acted, notably by Tilda Swinton as a tartly swishing Queen. At its worst it looks like an act of jaded restlessness by an artist who cannot find quite enough in this ancient artwork creatively to subvert.

City Slickers, soon after completion must have been held at an angle by a careless studio executive so that the jokes all slid towards the film's beginning. For 30 minutes we chortle happily as Billy Crystal and friends Daniel Stern and Bruno Kirby crack jokes about life, sex and middle age. All are married, all are nearing 40 and all long to flee New York for a last man-only fling. "Go and find your smile" says Crystal's obliging wife. And lo! Off go the trio on a dude cattle drive, where they find their smiles even as we are losing ours.

The cattle drive begins well, with trail boss Jack Palance striking mavericks on the cheek and cracking the meanest grin in the West, while Crystal complains "This wasn't in the brochure" when he has to hand-deliver a messy calf. But the calf survives to become the movie's cuteness epicentre as we thunder on into lessons about love, friendship, animal liberation and "finding oneself".

It is a time-honoured Andrew maxim that when a film talks about finding oneself it has already lost itself. *City Slickers* is like one of those schoolmasters who begin by jollying you up with jokes and then bring on the heavy stuff about hypotenuses or St Thomas Aquinas. Director Ron Underwood and writers Babaloo Mandel and Lowell Ganz (Parenthood) introduce Billy Crystal's hero as a blithe and gifted wisecracker. (His Ages

of Man speech to a goggle-eyed school class is a stand-up classic.) Then, once in the saddle, they turn him into a babyfaced John Wayne, lassoing the hell out of strays, jumping into rapids, and sparing a tear for Norman the calf.

The film has made \$120m in America, which shows that it has something for everyone. Unfortunately that "everyone" should arrive in two separate sittings. Laughter-lovers first, sentimentalists second.

City life is bad for the nerves, injurious to the health and morally corrupting. This is why everyone in the film industry lives in a city. Los Angeles, and makes films about why they shouldn't. In *Doc Hollywood* they waylay Dr Michael J. Fox en route to Beverly Hills and strand him in the Deep South. Washington-based Dr Fox is driving west to become a plastic surgeon to the stars when he violates a picket line with his sports car. He is ordered to do 32 hours public service as a local GP.

The place is "Grady", South Carolina: population, 20 persons and a pig. This is very good for Fox's soul, even though I have studied a map and cannot work out why he is in South Carolina while driving from Washington to L.A. Probably British director Michael Caton-Jones lost his sense of direction during *Memphis Belle*, the film that flying over Germany being shot - and assumes that in Capra-land, which is where we are, compass points are immaterial.

What we need and get is a place of imbecile enchantment, bearded with Spanish moss and inhabited by familiar character actors we cannot quite name. We also need friendship, comedy, love (Julie Warner as



Heroically heretical: Tilda Swinton in Derek Jarman's 'Edward II'

a pretty ambulance-driver), wisdom (Barnard Hughes as the dying older Doc) and animal liberation (the pig). All these are in the engaging *Doc Hollywood*, plus the small but perfectly skilled Mr Fox whose boyish, turn-on-a-sixpence reactions are a delight to see even as he himself turns 30.

Of the week's other films, both aiming for comic enchantment, one grazes the target, the other misses completely and endangers spectators. The miss is *Mannequin On The Move*, which you should stand well clear of in case its blithering tale of a boy, a window dummy and an ancient legend does you in.

The Rescuers Down Under is an animated feature from Dis-

ney, rushing two international-rescue rodents to Australia to save a small boy from a vicious farmer (voice of George C. Scott). On hand: a funny salesman, a funny kook and John Candy voicing a funny albatross. Bright and fairly bubbling, though the Aussie landscape is austere on the colour palette.

Tough on the coffee table is the annual London Film Festival booklet. This worthy event is once more approaching - dates, November 6-21 - and we shall update you as the celluloid unspools. The booklet names the usual million or so films, half of which should never have been allowed to escape their cans. But there are masterworks, minor and

major, about. North early consideration. Mike Figgis's *Liebestraum*, shadow-wreathed thriller from the director of *Internal Affairs*; *The 600 Days Of Solo*, gripping Italian documentary about the last months of Mussolini; *Volere*, Maurizio Nichetti's fantasy comedy about a man who becomes a cartoon; Lars Von Trier's *Europa*, blazingly inventive war fable from Denmark; Jacques Rivette's Cannes-honoured *La Belle Noiseuse*, the best film about an artist in recent memory; and from China two films heralding a new national cinema, Zhang Yimou's *Raise The Red Lantern* and Chen Kaige's *Life On A String*.

Nigel Andrews

Little Eyolf

ORANGE TREE THEATRE, RICHMOND

The lesser known works of Henrik Ibsen have been the theatrical rediscovery of the year. After *Brand* at the Aldwych and the Royal Shakespeare Company's production of *The Pretenders*, we now have *Little Eyolf* at the delightful Orange Tree Theatre in Richmond.

Eyolf is in many ways the best of the lot. After this production, directed by Sam Walters, it should no longer be considered one of the minor works. It is up with *Hedda Gabler* at the top of the Ibsen league. The piece reads badly, which possibly explains why it is so seldom performed. One went to see it full of foreboding, fearing heavy Nordic pathos without compensating reward. It is not like that at all. At times it is even witty.

Talk, for instance, the wonderful performance by Sheila Burrell as the Rat Wife, the woman who in the tradition of the Pied Piper lures away the rats with the assistance of a dog. "I used to lure myself," says Ms Burrell in an unforgettable way. "What did you lure?" "Me-n," she says, dragging out the delivery as if to suggest that she did it in multitudes.

The play is also quite cheerful. The engineer who fails to get his girl is told by her that he is very persistent. "You have to be, to be a road-builder," he replies lightly. On being rejected, he does not go off and jump in the fjord.

If you normally think of Ibsen as fatalist and full of doom, you may be in for a surprise at the end. It is the dialogue, and the ironies within it, that dominate. When you recollect the piece as a whole, you will see that every sentence has been telling you something about what will unfold. *Eyolf*, when directed like this, is a very subtle play.

Another woman runs Rita close. She is Jane



Leslee Udwin and David Rintoul

Arden as Asta Allmers, the presumed sister-in-law who turns out not to be a blood relation at all. Given the strength of the women's parts, it is brave of David Rintoul to put in an appearance as the husband and typical Ibsen man, an intellectual longing for higher things. Rintoul does as well as can be expected in the circumstances, but this is a woman's play.

There are other delights. The relationship between Alfred Allmers, the husband, and the woman he believes is his half-sister, seems so like that between William and Dorothy Wordsworth that Ibsen must have known a lot about the Lake District. There is also a background of social poverty that provides much wider dimensions than women in love and incest in the clouds. The background is seldom intrusive, though when it is, it is fatal. It is always there. This is a play that has to be seen.

Malcolm Rutherford

Happy Families

TOWER THEATRE, N1

The massed membership of the Little Theatre Guild has embarked on a project that must rate, logistically at least, as the most ambitious of its kind: 49 amateur companies in Britain (plus one in Israel) are performing the same play for a week after a substantial, and imaginative, sponsorship by British Telecom. The intention is to give a similar commission to a different playwright every two years.

First in is John Godber, an ex-scholar and canny political horse directorship of Hull Truck has spawned a new style of sporting comedy in which rugby (*Up 'n' Under*), judo (*Blood, Sweat and Tears*) or skiing (*On the Piste*) are worked into skilful but undemanding reflections of everyday life. He has responded with a daily second-rate memory play, charting his own progress from 11-plus failure to MA, via scraps with the school bully, caravanning holidays - anecdotes skilfully designed to depict the progress of a working-class.

The setting is the Taylor household, where the young John grows up on a mealy plant tended by his joke-cracking father, mother, and an extended family whose members illustrate the lovable foibles of family life. To some extent the weakness of the play reflects Godber's desire to cater to all tastes, all ages and all accents. His characters are simple line drawings to be shaded with local colour; they recount rather than act

out, most of the dramas of John's life. But there is also a deeply reactionary streak running through the piece, which confuses the focus and compromises the vision.

John is representative of the thirtysomething generation: the chronology of his life is carefully plotted, from 11-plus in 1967, placing him at the end of the grammar school era. But Godber seals his characters in an airtight box of a play: instead of rock from the 1970s, the story is framed by the crackly crooning of '30s records.

This is Dennis Potter territory, which establishes an emotional and cultural heart in the grandparents' generation, as if Godber subscribed to the sentimental values of the good old days, even as he is illustrating his own alienation from them. How familiar this sentimental popycock is. How one longs for some sign of an avuncular Godber's outlook for some complexity in his writing, for jokes which challenge, rather than confirm, the status quo.

The set is eloquently backed by a collection of picture frames, offering an opportunity for abstraction which as a professional director, Harry Landis, proceeds to ignore. The acting is excellent, with outstanding work from David Shannon, as John, Karen Kiliasy, as his mother, and James Home as his grandfather.

Claire Armitstead

Alban Berg

ROYAL FESTIVAL HALL

Though there is to be a BBC "Berg festival" in January - everything but the two operas - Tuesday's Philharmonia concert amounted to far more than an appetiser. Berg was only 60 when he died, and he composed slowly and scrupulously. With the Three Pieces for Orchestra (1913-23), the Chamber Concerto (1925) with solo violin and piano and the Violin Concerto (1935: his last completed work) this concert presented his whole oeuvre for orchestra without voices.

Pierre Boulez was to have conducted, but the young Finn Esa-Pekka Salonen, who replaced him, made his own vivid mark. The *Kammerkonzert* came first, for it is not only the toughest nut in Berg but one that makes half a concert by itself - at least when the almost-full repeat of the final Rondo is observed, as it was (satisfyingly) here. The "chamber" orchestra of 13 winds was supplied from Boulez's seasoned, sensitive Ensemble InterContemporain. After the interval the Philharmonia trooped on for the Three Pieces in great numbers, briskly reduced for the Violin Concerto as conclusion.

Nearly every one of the *Kammerkonzert* winds gets a spotlight of its own, and all their solo moments bespeak no less acute appreciation of Berg's gift than the principal solos by Gidon Kremer (rapt, elevated, poignant) and the pianist Oleg Maisenberg, (by turns shyly intimate and spikily effective, always intelli-

gent). Nothing was allowed to sound like mere note-spinning; the result was just musical muscle. Also pretty astringent for Berg provided less of a softening harmonic halo here than usual, perhaps because the Concerto was planned as a 50th-birthday present for his stern master Schoenberg.

With familiarity, phrase upon atonal phrase in the *Kammerkonzert* discloses an urgent expressive import. The Three Pieces for Orchestra offer no less on their huge orchestral canvas, but the sheer din often conceals the fact. Salonen did wonders to clarify the texture, and thereby the message - Mahlerian struggles in the Prelude, ironic Mahlerian twists in the "Reigen" middle movement, explosive appreciation of Berg's gift by itself - at least when the almost-full repeat of the final Rondo is observed, as it was (satisfyingly) here. The "chamber" orchestra of 13 winds was supplied from Boulez's seasoned, sensitive Ensemble InterContemporain. After the interval the Philharmonia trooped on for the Three Pieces in great numbers, briskly reduced for the Violin Concerto as conclusion.

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David Murray

INTERNATIONAL ARTS GUIDE TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Jan Stulen conducts the Netherlands Radio Symphony Orchestra in a programme featuring Midori and Matt Haimovitz as soloists. In the Kleine Zaal, the Takacs Quartet plays chamber music by Mozart, Bartok and Schubert, with Miklos Perenyi clarinet, also Sat. Tomorrow: Jean Yves Thibaudet plays Franck's Symphonic Variations and Liszt's Totentanz. Sat: Handel's Messiah. Sun: Shura Cherkassky recital (8718 345). Beurs van Berlage 20.15 Ronald Brautigam plays Bartok's Third Piano Concerto with the Netherlands Philharmonic Orchestra, repeated tomorrow. Sun at 14.15: piano recital by Vladimir Ovschinnikov (8270 466). Muziektheater 20.00 Alberto Zedda conducts Il barbiere di Siviglia, also Sat. Tomorrow and Sun: Dutch National Ballet (6255 453/credit card bookings 6211 211).

BERLIN

Komische Oper 19.00 Joachim Wittig conducts Harry Kupfer's production of Così fan tutte, with Magda Nador as Fiordiligi and

Werner Haselau as Don Alfonso. Tomorrow: Cav and Pag. Sat: premiere of new opera by Georg Katzer. Sun: Swan Lake (East Berlin 2292 555).

Deutsches Oper 19.30 Stefan Soltesz conducts Il Chorus with a cast led by Rosalind Plowright, Leo Nucci and Giorgio Lamberti. Tomorrow: Wolfgang Rihm's Oedipus. Sat: Stravinsky ballets by Balanchine and Béjart. Sun: Lohengrin with Gwyneth Jones. John Tomlinson, Peter Delfort, Eikehard Westphal and Eve Johansson (West Berlin 3410 249).

Schauspielhaus 20.00 Mozart's Der Schauspieler directed by Alfred Kirchner, in a co-production between RIAS and the Deutsche Oper. Runs till Nov 26, with next performance on Tues (West Berlin 7831 515). Schauspielhaus 20.00 John Nelson conducts the Berlin Staatskapelle in music by Brahms and Rakhmaninov (East Berlin 2272 261).

Philharmonie Kammermusiksaal 20.00 Jeffrey Tate conducts the Berlin Philharmonic Orchestra in music by Britten, Haydn and Schoenberg, also tomorrow and Sat (West Berlin 2614 383).

BIRMINGHAM

Symphony Hall 19.30 Alfred Brendel plays Beethoven's First and Fourth Piano Concertos with the City of Birmingham Symphony Orchestra under Simon Rattle, who also conducts Schoenberg's Variations for Orchestra. Repeated tomorrow at London's Barbican Centre (021-212 3333).

National Indoor Arena From tomorrow till Oct 27, there are daily performances of Vittorio Rossi's

production of Aida, with casts including Grace Bumbury, Ghena Dimitrova, Giorgio Lamberti and Ingvar Wixell (021-782 0000).

HAMBURG

Staatsoper 19.00 Gerd Albrecht conducts Tony Palmer's new production of Simon Boccanegra, with Bernd Weik in the title role. Yevgeny Nesterenko as Fiesco and Maria Guleghina as Amelia. Tomorrow: Window to Mozart, ballet. Sat: Il trovatore with Elizabeth Connell and Leo Nucci. Sun: Parsifal (351555). Deutsches Schauspielhaus 19.30 Shakespeare's Romeo and Juliet directed by Michael Bogdanov, also tomorrow. Sat: The Tempest (248713).

LONDON

MUSIC Covent Garden 17.00 Bernard Haitink conducts Götz Friedrich's production of Götterdämmerung, with Gwyneth Jones as Brünnhilde, Rene Kollo as Siegfried, John Tomlinson as Hagen and Eikehard Westphal as Alberich. Sat: Rigoletto (071-240 1068).

Royal Festival Hall 19.30 Vladimir Ashkenazy conducts the Royal Philharmonic Orchestra in Mendelssohn's overture A Midsummer Night's Dream, Elgar's Falstaff and Strauss' Elne. Heldanleiben. Tomorrow: Young Musicians Symphony Orchestra plays Mahler's Second Symphony. Sat in QEH: Nicholas Cleobury conducts a concert performance of The Olympians (1949) part of the Sir Arthur Bliss centenary celebrations. Sunday's programme includes a concert by the Atlanta

Symphony Orchestra, a recital by Rafael Orozco and the final of the 1991 BP Peter Pears Award (071-928 8800).

Barbican 19.45 Michael Tilson Thomas conducts the London Symphony Orchestra and Chorus in a tribute to Leonard Bernstein, with a programme including the Chichester Psalms and Symphonic Dances from West Side Story. Tomorrow: Alfred Brendel plays Beethoven's Piano Concertos 1 and 4, part of a Beethoven Piano Concerto cycle with the CBSO under Simon Rattle, continuing for the next two Fridays. Sat: Radu Lupu plays Mozart with the ECO under Colin Davis (071-838 8891). Coliseum 19.30 The Mikado, also Sat. Tomorrow: La bohème (071-836 3161).

THEATRE

The Revenger Comedies Parts 1 and 2 Joanna Lumley and Griff Rhys Jones head the cast in Alan Ayckbourn's new two-part dark comedy, which follows the lives of two strangers who meet on a bridge just before intending to commit suicide. Ayckbourn directs. The two parts are played on consecutive nights. On Wed and Sat, Part 1 is played in the afternoon, Part 2 in the evening (Strand 071-240 6800).

Tartuffe: Paul Edlington, John Sessions and Fidelity Kendal star in this Peter Hall Company production of Moliere's comic tale. Currently previewing, Press night next Tues (Playhouse 071-839 4401). Beckett: Robert Lindsay and Derek Jacobi, as the King and Beckett, star in Elijah Moshinsky's production of Anouilh's play, using a vernacular translation by Jeremy Sams (Theatre Royal, Haymarket 071-630 8800).

Waiting for Godot: Samuel Beckett's famous non-story stars Rik Mayall, Adrian Edmondson and Christopher Ryan. Directed by Les Blair (Queen's 071-494 5040). For ticket information about the Theatreline from anywhere in the UK: Plays 0836 430555 Musicals 0836 430660 Comedies 0836 430661 Thrillers 0836 430662.

NEW YORK

Avery Fisher Hall 20.00 Kurt Masur conducts the New York Philharmonic Orchestra in Dvorak's New World Symphony and Schnittke's First Cello Concerto, with Natalia Gutman. Repeated tomorrow, Sat and Tues. Sun at 15.00: Lorin Maazel conducts the Pittsburgh Symphony Orchestra in Dvorak's Seventh Symphony and Tchaikovsky's First Piano Concerto, with Vladimir Viardo. Sun at 19.30: James Galway recital (875 5030).

Carnegie Hall 20.00 Murray Perahia gives his only New York recital this season. Tomorrow: Lorin Maazel conducts the Pittsburgh Symphony Orchestra in Sibelius' Finlandia and the Second and Seventh Symphonies. Sun at 15.00: Rostropovich conducts the National Symphony Orchestra. Mon: Mozart chamber music with Arleen Auger, Murray Perahia and the Vermeer Quartet (247 7800).

Metropolitan Opera 20.00 Thomas Fulton conducts Un ballo in maschera, with a cast led by Peter Dvorský, Sumi Jo and Stefania Toczyńska. Tomorrow: La fanciulla del West. Sat matinee: Don Giovanni. Sat evening: Die Zauberflöte (362 6000). New York State Theater 20.00

Christopher Keene conducts Rhoda Levine's production of B.A. Zimmermann's Die Soldaten, with Lisa Saffer as Marie. Tomorrow: Loesser's 1956 musical The Most Happy Fella, with Louis Quilico. Sat: American premiere of The Mother of Three Sons, dance opera conceived and directed by Bill Jones, with music by Leroy Jenkins (875 5570).

PARIS

Palais Garnier 19.30 Gala d'Etoiles: the principal dancers of the Paris Opéra Ballet take part in an evening of extracts from classical and modern repertory. Repeated tomorrow and Sat. Next week: Béjart Ballet Lausanne (4017 3535). Opéra Bastille 19.30 Myung-Whun Chung conducts Jean-Pierre Miquel's production of Idomeneo, with a cast led by Keith Lewis, Sylvia MacNaught and Carol Vaness. Repeated on Sat (4001 1818). Théâtre des Champs-Élysées 20.30 Elihu Inbal conducts the Orchestre National de France in Mahler's Ninth Symphony. (4720 3637).

VIENNA

Volksoper 19.00 Death in Vienna: Maurice Béjart's new dance work performed by Béjart Ballet Lausanne, music by Mozart. Also tomorrow, Sat and Sun (51444 3318). Konzerthaus 19.30 Rafael Frühbeck de Burgos conducts the Vienna Symphony Orchestra in music by Mozart, Takemitsu, Haydn and Bach/Schoenberg. Tomorrow and Sat: the Ensemble InterContemporain gives the opening concerts of the 1991 Wien Modern contemporary music festival (7124 6660).

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FINANCIAL TIMES

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Thursday October 17 1991

Where next in broadcasting

AT ITS GESTATION, the 1990 Broadcasting Bill was considered a revolutionary text. As enacted, it was anything but subversive – a tribute to the lobbying skills of broadcasters and the fact that most British people, unlike most Conservative MPs, think Britain has pretty good television.

Behind the cries of pain and joy at yesterday's franchise awards, this evolutionary regime was plainly visible. True, four franchise holders have lost their crowns, but these have gone, without exception, to accomplished television professionals. As a result, the list of shareholders in the ITV system has hardly changed. Channel 4, now free to sell its own advertising, looks reasonably secure, as does the main counterweight to the BBC newsroom, Independent Television News.

On the regulatory side, the Independent Television Commission has replaced the Independent Broadcasting Authority and although it has fewer specific scheduling powers than its predecessor, it still has a duty to require programmes of quality and diversity and the power to revoke licences where duty goes unobserved.

Financially, there has been much talk that the auction process has lured the industry into pleading revenues it will not have. Overall, however, the net additional revenue outflow under the new system, put by the ITC at \$40m a year, looks manageable, although it is spread unequally between those, like Carlton, which successfully bid low, and those, like Carlton, that successfully bid high. Revenue prices in the auction would have diminished this problem.

Those inclined to weep for the dispossessed should also remember that the franchise system has only been necessary because Britain has a highly regulated commercial TV industry, in which regional monopolies are granted. Because normal market forces do not apply, either to promote efficiency or to permit changes of ownership, artificial mechanisms are necessary. It is to be hoped that during the next 10-year cycle, the ITC really will allow a much freer market in mergers and acquisitions; it ought not to be necessary to repeat the kind of everything-up-for-grabs auction which ended yesterday.

Wider lens

Nor does the re-landscaping of broadcasting, as undertaken by Capability Thatcher, look any more dramatic from a wider lens. Apart from a modest deregulation of the ITV system, provision has been made for the emergence of satellite and cable TV, and most surprising of all, the BBC is striding into the 1990s with an index-linked income, having recently expanded into a new radio network and a television version of the World Service.

And yet reform there will have to be the spur behind the original bill continues to prick. A fifth, almost nationwide, terrestrial television licence is due for auction by 1993; after a shaky start, satellite TV has established itself in 1.7m

homes; and with the arrival in force in Britain's cable TV industry of North American telecommunications companies, it looks as if that business could steam from the doldrums as the economy strengthens. More TV competitors must mean less regulation.

Nor is there only a reactive case for change. It is clear that viewers want a greater diversity of services and it is desirable on business as well as political and cultural grounds that there should be as little regulation by politicians and their servants as possible. In industrial terms, Britain has a fragmented broadcasting industry, in a world increasingly dominated by foreign giants, several of whom are based in Europe and are now free to enter UK terrestrial broadcasting. It is also essential to plan carefully the future of the BBC, that unwieldy but prized institution whose royal charter expires in 1995, and which cannot stand forever on the crumbling rock of a tax on the ownership of television sets.

Piecemeal view

It is unfortunate that these matters tend to be considered piecemeal. Thus, every five years or so, we have a debate about the ITV system, followed by a franchise round. Then we have a debate about the BBC, usually accompanied by a public inquiry of the kind Labour has already promised if it wins the election. Satellite is not really debated at all, since the government appears content to allow it to play by completely different rules – non-European ownership, for example, is possible in satellite, but not in terrestrial TV.

Through this thicket, two primary issues struggle for elucidation: the future of public service broadcasting, and the need for an appropriate framework for the ownership of both print and broadcasting, designed to strike the right balance between cultural, regional and political diversity on the one hand and industrial efficiency on the other.

It would thus be short-sighted if the next phase of the broadcasting debate became "the BBC debate"; it may well be desirable to spread public funds for broadcasting more broadly than to a single corporation. Perhaps a single TV regulator is required, rather than the two-headed monster of the ITC and the BBC board of governors, with its lack of whips, such as the Broadcasting Standards Council. Equally, the issue of BBC funding is bound to raise again questions about the size of the advertising and sponsorship pool. Today, all of these matters must also be considered in the context of a European Community policy which smacks uneasily of a fortress Europe mentality.

It is doubtful that another commission of inquiry is needed to shed light on these matters. What will be required, after the election, is a government enlightened enough to build a single framework of regulation and funding for an ever more diverse and international broadcasting industry.

Advise, consent

IT IS the constitutional duty of the president of the United States to propose nominees to high public office and of the Senate to advise and consent. With powers divided between executive, legislative and judiciary, it is a system which has served the country very well for over 200 years, even if the Founding Fathers did not necessarily envisage the politicisation of the Supreme Court.

Its great merit is its transparency; it is not foolproof – no system is – but it has blocked more charlatans than it has admitted its potential weakness, dramatically illustrated in recent days, is that the process is liable to excess and political manipulation. The question, very much on Washington's mind, is whether the system needs changing.

The answer must surely be in the negative, with one proviso. This is that both president and Senate show themselves able to rise above narrow partisan or ideological conviction in proposing and considering a nomination, especially for the Supreme Court, on which justices sit for life. It may be natural for a president to choose someone who shares his values and natural for the Senate, if controlled by the other party, instinctively to raise questions but there should be limits to this process.

The cases of Judge Clarence Thomas and Mr Robert Bork, rejected in 1987, show the president and Senate at their worst. Mr Bush proposed Judge Thomas not because of

his judicial distinction, which earlier hearings showed to be much in doubt, but for the political reasons that he is a black conservative from the south likely to vote further limits on a woman's right to abortion. The Democratic Senate turned down Mr Bork not because of his legal qualifications, which were exceptional, but because he was the sort of conservative thinker who could dominate for years an already conservative but undistinguished Court. The Thomas nomination may be seen as the Republican political revenge for Mr Bork.

Playing political games with an institution as vital as the Supreme Court is not new and it is a consolation to know that justices often become their own men once on the bench: over the last 50 years, Earl Warren, Hugo Black, Harry Blackmun, Potter Stewart and Byron White all left behind their original political patrons, to the nation's benefit. But all had public or legal records of substance when nominated.

Judge Thomas did not. In the event the vote narrowly to confirm him was probably not much different from what it would have been before the charges of sexual harassment were laid against him in a charade in which the truth was unfathomable. But, even here, it must be noted that, from the bench, he will be ruling on matters affecting women, especially abortion. No matter how distasteful this episode, his attitude to them was a legitimate area of public concern.

It was as surreal as it was tawdry. But the political circus which surrounded this week's elevation of Judge Clarence Thomas to the US Supreme Court has at least highlighted a workplace issue – the sexual harassment of women – which is increasingly sensitive in North America, and is slowly becoming so in Europe.

Professor Anita Hill's allegations that Judge Thomas harassed her, whether true or not, have brought bubbling to the surface a well of anger among US women over their treatment by men at work.

Her graphic testimony before the Senate Judiciary Committee – daily denied by Judge Thomas – has spawned off countless "me, too" reminiscences by women, many of whom have revealed ugly incidents in their past for the first time over the past week.

Folls have backed up this anecdotal evidence that harassment is pervasive in the workplace. One conducted by the New York Times and CBS News found that four out of 10 women said they had encountered unwanted sexual advances or remarks from men they worked for, but few had reported them at the time.

But as the furor over the Thomas appointment ironically demonstrates, the US has gone further than most other nations in confronting the issue and seeking solutions. A succession of court judgments and federal government guidelines over the past decade have gone a considerable way towards defining what constitutes harassment, though this still remains a grey area. Employers know they lay themselves open to costly legal battles if they cannot demonstrate they have taken steps to combat the problem.

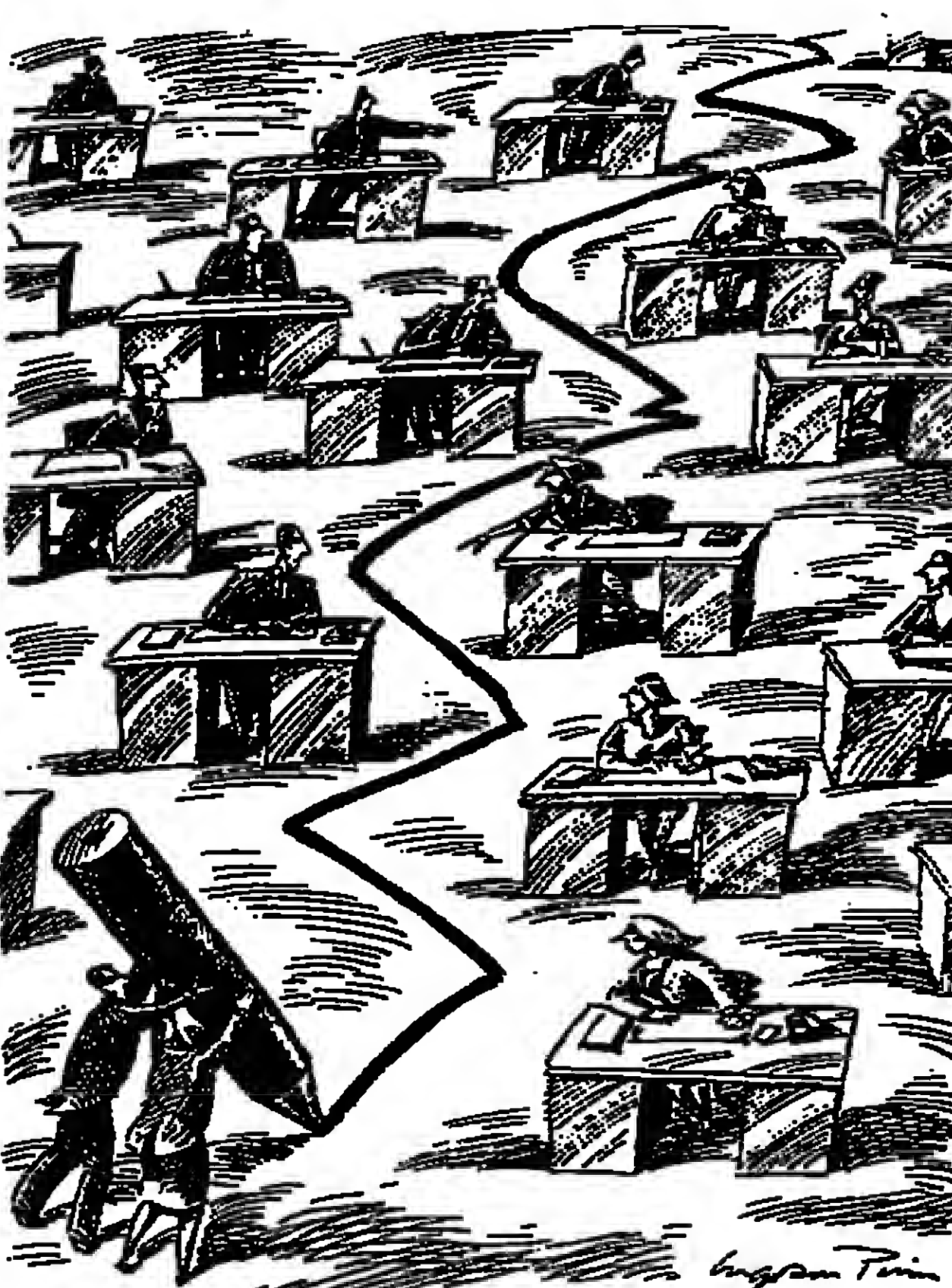
But while these measures may be a palliative, they have hardly eliminated the problem. This would require a much more fundamental revolution in social attitudes and the balance of power between the sexes. And it is moot whether the outcome of the Thomas hearings will help or hinder the position of women.

Three factors probably explain the relative progressive nature of the US in confronting sexual harassment. One is ideological. The country's belief in equality, though more honoured in theory than in practice, has been extended to specifically encompass minorities, notably through the 1964 Civil Rights Act.

The second is practical: the US is an extremely litigious society. The third is economic: over the past 20 years the number of women in the US workforce has soared from about 30m to more than 50m, and women now make up some 45 per cent of the labour force. This has both increased the potential for workplace harassment and enhanced the clout of women who complain.

Economic self-interest is likely to make both US and European companies more sensitive to the issue over the coming decade. For countries on both sides of the Atlantic are facing potential shortages of skilled workers, and will therefore rely even more on female labour.

It was in the 1970s, spurred by a sudden push of women into the workforce and the concomitant emergence of women's movement, that sex-

Sexual harassment is a highly sensitive issue, says Martin Dickson
Workplace advances

ual harassment began to emerge as a significant legal issue in the US. However, it touched few lives until the past decade, when two important rulings changed the landscape.

The first came in 1980 when the Equal Employment Opportunity Commission, a federal government agency which investigates bias at work, issued guidelines which stipulated that making sexual activity a condition of employment or promotion violated the 1964 act. The second was in 1986 when the Supreme Court upheld this assertion and also backed the commission's more controversial contention that the creation of a "hostile or abusive work environment" was also a violation of the act.

That, however, still leaves a large question-mark over what constitutes a hostile environment. Trying to force a subordinate into bed is clearly harassment, but is compelling a woman on her physical appearance? Or putting up pictures of nude women on factory walls? Or bombarding someone with love letters?

Many social studies have shown that what a man may perceive as flattering, a woman is more likely to find offensive, degrading and threatening. Two federal court decisions this year have gone some way to clarify the matter, for both implied that the yardstick for judging the issue was the reac-

tion of a "reasonable" woman when confronted with the behaviour. Thus, a court in Florida upheld a female welder's complaint that a men's club atmosphere, complete with pornographic pin-ups, constituted harassment, while a California court made a similar ruling over a stream of unwanted love letters.

All this poses considerable challenges for employers, both in defining unacceptable behaviour and taking action when it arises. All big US companies as well as government departments have explicit policies condemning harassment in general terms, and clearly laid-down methods of dealing with complaints (including by passing supervisors who are often the cause of the problem).

Managers are usually given training in handling grievances and workers are offered programmes to heighten awareness. Some companies – almost certainly a minority – have gone substantially further. For example, Honeywell, the electronic controls manufacturer, has spelled out plainly what it regards as unacceptable – including catcalls, sexual jokes and repeatedly looking at a woman up and down. The company is so sensitive to the issue that it recently removed some tasteless nude photographs from an art exhibition at its headquarters.

Dr Pont, the chemicals group, has not only put 65,000 of its 100,000 US employees through voluntary workshops but also runs a confidential "hot-line" which women can use to air grievances if they are worried about using more normal channels.

Ms Faith Wohl, the Du Pont official responsible for the programme, says while it has brought to light more cases of harassment than before, it has also reduced the number of women taking their grievances to the courts. She adds that women are becoming increasingly vocal about the action they want companies to take: a few years ago they wanted the harassment to stop, now they are more likely to say: "I want him out of here."

Women seeking compensation outside the corporate framework can either file a suit themselves – usually naming both the man involved and the company as co-defendants – or take the case to the employment commission, which will pursue the matter under the 1964 act. Complaints filed with the commission rose from 2,661 in 1981 to 5,694 last year, but this represents only the tiny tip of an iceberg. Many lawyers advise their clients to bypass the agency, either because it takes action in so few cases or because damages awarded under the 1964 act are limited to back-pay and reinstatement in a job.

Ms Judith Viadeck, a New York lawyer who specialises in harassment cases, also points out that for all corporate America's fine words, it is often the victim of a harassment case, rather than the perpetrator, who ends up leaving the company.

"Until employers act in a way that makes it clear they mean business, and employment will be terminated if someone engages in this kind of conduct, it will continue to happen and women will continue to be victims," she says.

It will be no surprise because women remain frightened to allege harassment for fear of being cast as a trouble-maker or a sexual adventurist who has encouraged male advances. They also face formidable barriers in proving their case, for as the Thomas affair has shown, the issue often boils down to his word against hers.

The fact that the all-male Senate Judiciary Committee did not fully investigate Prof Hill's allegations until it was forced by a burst of female outrage – will have reinforced the view of many US women that the dominant male power structure simply does not comprehend the issue as a serious one.

Furthermore, the barrage of character assassination fired against Prof Hill – who was accused in the congressional hearings not just of lying, but of being a woman scorned, a fantasist and a ruthless careerist – shows why many women simply do not think harassment complaints worth the trouble they cause.

To this extent, the Thomas hearings may prove a setback for the anti-harassment cause. On the other hand, the airing of the issue in such a public manner can only heighten awareness among men of the perils they run; and among women of the fact that the problem can be treated seriously, and is more common than many imagined.

BOOK REVIEW

Outrage in Washington

SCANDAL: THE CULTURE OF MISTRUST IN AMERICAN POLITICS
By Suzanne Garment
Time Books/Random House, \$23

journalist, in 1906.

She concentrates, however, on the Carter and Reagan presidencies, and on the machinery that evolved for the mass production of scandal: investigative lobby groups, congressional committees, independent counsel and publicity-seeking prosecutors.

In the process, she makes it clear that the Thomas hearings were nothing new. Congressional committees have a long history of looking for dirt on nominees' pasts, as they do of transforming their proceedings into kangaroo courts with none of the protection "normally" afforded to defendants and witnesses in a trial.

Indeed, the American Bar Association set up a subcommittee to investigate congressional investigations, and came up with a set of model rules, largely ignored by Congress, designed to prevent abuses.

Mrs Garment's thesis is that all this muckraking is unrelated to any real rise in unethical behaviour, and has damaged government by discouraging able people from public service and by deterring officials from taking decisions that might stir up debate and so make them the target of a personal attack.

She shows little hope that the scandal machine might grind to a halt; too many people now have a vested interest in the business of scandal.

"We will stay mired in our current scandal trap until more people start saying that contempt for ordinary politics, an attitude we see underlying many of our current scandals, is a corruption even more dangerous than stealing money from the public till," she says.

Will the episode which ended on Tuesday night with the Senate's confirmation of Judge Thomas bring the sort of change in opinion Mrs Garment hopes for?

It may, in fact, do the reverse, for public outrage over the Senate's neglect of Prof Hill's original allegations – even among those who believed Judge Thomas – seems likely to open up the field of sexual harassment as a new area for scandal-seekers.

The scandal machinery may have unseated Prof Hill's claims, but it was the reaction of men and especially women across the country which forced the reluctant Senate to conduct hearings, into the charges.

But Judge Thomas's experience may well deter other judges, more qualified than he, from accepting a future nomination to the Supreme Court.

George Graham

Brewer's froth

Whether or not Henry Ford said "History is bunk", a good many businesses seem to treat it as such these days if it suits their commercial interests.

Take for example Scottish and Newcastle Breweries' latest marketing ploy for its bottled Newcastle Brown Ale.

In a link with the Royal Mail, an estimated weekly total of 12m letters posted in North-east England are to be franked with the slogan "100 years of brewing tradition", and the adobe message that 1991 is the centenary of the birth of Newcastle Brown's creator, Colonel James Porter.

Since the cost of having the plug circulating on millions of envelopes is under £2,000, the exercise certainly makes sense in marketing terms. But how about the historical sense of the slogan?

After all, the centenary is of Porter's birth. So unless he created the ale when he was the same age as Benetton's bloody baby, "100 years of brewing tradition" must be over the top. In fact, he had reached his mid-30s by the time he perfected it in 1827. "I'm lost for words," said Sue Hannay, a brand manager for the ale, when the point was put to her.

A touch of artistic licence, perhaps? "Yes, I can't deny that," she confessed.

Seal of approval

As it's not often that London's Baltic Exchange hands out its honorary Valium, it has been making a bit of a fuss over Denmark's Maersk McKinney Moller, one of the grand old men of world shipping in some time warp to describe 78-year-old Moller as its "first European Honorary Member". The list of honorary members has for years been headed by the Duke of Edinburgh, and

OBSERVER

surely he – if not the rest of us in his adopted country – must be accepted as European by now.

That aside, the canny Moller, whose UK flag fleet alone ten times outnumbered that of Baltic chairman Peter Tudball, was once asked the reasons for his success.

Whereupon he pointed out that, of all the offices in his huge company's headquarters, his is the only one to have a carpet in the corridor outside. "Good housekeeping," he said.

Nil carborundum

Observer's award for coolness under fire goes to the television crew filming share-trading at stockbroker County NatWest yesterday. The poor chaps were just getting their sentence was announced over the Tannoy at 10am.

"They didn't really show any emotion," said a County stalwart. "They were just desperate to get good pictures of the dealers."

Professionalism to the end.

Secret weapon

Were professional diplomats, not to mention the military, kept in the dark about the negotiations leading to yesterday's Franco-German initiative for a European defence force?

A clue to the answer came in a conversation overheard at a Bonn party on Tuesday. Hans-Werner Lautenschlager, EC affairs secretary in the German foreign office, asked French ambassador Serge Bolidevici: "Well, ambassador, are you ready for tomorrow's announcement?"

Bolidevici: "What announcement?" Lautenschlager: "The Franco-German initiative on



Squatter

political union, of course." Bolidevici: "Oh, I didn't know it was on tomorrow." Lautenschlager: "I am so sorry. Of course you should have been kept informed."

It now looks obvious that the only people who knew about the negotiations were in the Elysée and the Chancellor's office in Bonn.

The German foreign office was aware of the deal, but had no part in it. Several senior diplomats confessed that although the telegram had lain on their desks over the weekend, they hadn't bothered to read it. And as for Germany's ministry of defence.

"Honestly, I can't tell you anything, because I don't know anything," a senior official there declared.

Summing up

Britain's Central Statistical Office, which is nonplussed in its search for a new boss, should start accentuating its positive side. Whatever the quality of its standard products, there's no doubt it occa-

sionally turns out notable figures: three Nobel prize winners in the past 14 years.

Professor Ronald Coase is the latest to have spent his early career crunching numbers for the CBO. Sir Richard Stone, best known for his work on the National Accounts and Nobel laureate in 1944, was recruited by the office's first director Sir Harry Campbell James Meade, who overlapped with Stone and Coase, won the prize in 1977.

Odd fellows

What have Australia's ex-prime ministers Malcolm Fraser and Gough Whitlam – veterans of the 1975 constitutional crisis – got in common? Not a lot, except mistrust of the Kerry Packer/Conrad Black bid for Australia's Fairfax newspaper empire.

Along with other heavyweights from all sides of the political spectrum they've signalled their concern in a letter to the flagship Fairfax newspaper. It is the surest sign to date that while the Packer/Black Touring consortium might have the most loot and management experience, it is still far from certain to win the day.

Resistance to Touring is based on widespread fears that, if it succeeded, there'd only be two big players in the Australian press: Packer and Rupert Murdoch. The latter controls 48 per cent of the local print media, Fairfax 19 per cent, and the Fairfax family 12 per cent. It is the stuff which fuels political nightmares. It also raises the question of why Canada's Black bid felt it necessary to throw in his lot with Packer. Couldn't he have found a local partner who would have caused less offence?

Good thinking

How do you create a European bond portfolio which exactly matches a client's requirements? EMU-nise it.

A TOUCH OF FRANCE

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ECONOMIC VIEWPOINT

Massachusetts Ave
vs the shmooos

By Samuel Brittan

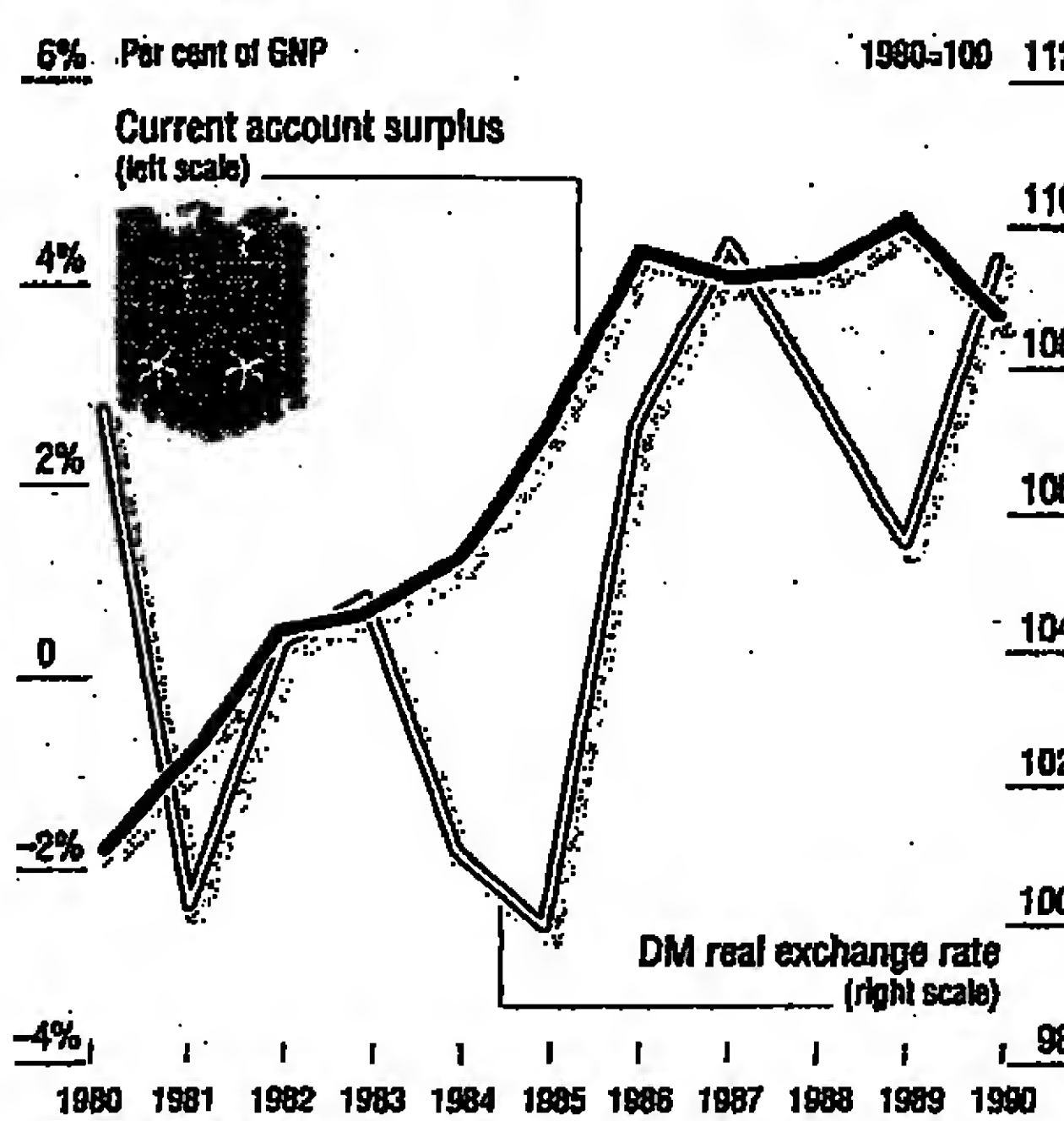
Krugman's contribution as a separate publication entitled *Has the Adjustment Process Worked?* He answers with a resounding yes. Ever more important in his eyes, the policy model has been vindicated.

He identifies two sets of opponents: the structuralists and the "shmooos". The structuralists are the sort of people who believe that the US - or almost any other country they analyse - has a deep-seated problem in relation to Japanese import penetration, which no feasible amount of currency depreciation or any other kind of financial or price-mechanism policy can cope. They peddle a sort of bogus profundity and their main remedy of "industrial policy" is difficult to distinguish from old-fashioned protection in modern dress. The structuralists enjoy a very good run in the correspondence columns of the *Financial Times*; may I just this week join with Krugman in dismissing them?

I have more sympathy with the shmooos. (The name has its origin in some totally different esoteric controversy.) A shmoo is someone who has doubts about the need for frequent exchange-rate adjustments and suspects that, not only western Europe, but the whole OECD world, forms an optimum currency area in which exchange-rate changes do more harm than good. As Michael Proulx wrote in his American column last Monday (after a similar conference in Bretton Woods) the most persistent and courageous shmoo has been Prof Ronald McKinnon of Stanford.

I would not myself dispute that international adjustment has "worked". For there has never been a problem in the

GERMAN BALANCE OF PAYMENTS



first place, apart from the overshooting of the dollar in the initial Reagan term. The German and Japanese surpluses, which used to be the counter-part to the US deficit, represented contributions to world savings which were extremely useful in providing the world with resources for development and keeping down real interest rates. The Mass Ave campaign against them was highly misguided and did not even follow from its own economic model, but only from the politics of Washington. The German surplus has swung into deficit because of reunification. The excess of savings over domestic investment, which made the country's payments surplus possible, went into reverse as the demands for help from the east increased.

In any case, America's own problem has been not its payments deficit but its budget deficit, which is not a genuine twin and represents a burden

for future generations of taxpayers. Krugman's explanation of why the deficits have ceased to be twin is that the budget one is not what it seems: ● The cost of the savings and loan bailout does not reduce national saving and should not be part of the budget deficit. ● As a proportion of gross national product the deficit did fall from 1985 to 1989. ● Apart from the bailout, the recent worsening of the deficit reflects recession - cyclically corrected, the improving trend is still there. ● There has been some improvement in private saving (presumably corrected for the recession) - which is analytically equivalent to a deficit reduction.

I am gullible enough to agree with most of the above. But I do not believe that, if the underlying Budget deficit disappears or diminishes to manageable proportions, the payments deficit will necessar-

ily diminish with it - any more than it did when the UK was running a budget surplus. Whatever payments deficit remained would represent a judgment of world investors about how much they would add to US domestic savings.

Krugman has a revealing account of how the US avoided the "hard landing" long predicted by the Washington Institute if the dollar and budget deficit did not shrink by much more than it has. He attributes the soft landing to the ability of the US to attract continued capital flows, and he elaborates an undershooting model in which foreign investors buy the dollar in the hope of a recovery, thus bridging the trade gap. It seems almost a shmoo model. The Mass Ave view was that investors would sell the dollar because neither it nor the budget deficit had fallen nearly far enough.

Krugman's table of consensus US elasticities can also do with a little scrutiny. (It resembles the estimates of those who think that the UK has a balance of payments constraint.) Its implication is that, to improve the US balance of payments by as little as 1% per cent of gross domestic product over four or five years, a real depreciation of 20 per cent would be required. A shmoo might fear that:

● The attempt to bring this about might require a much larger nominal dollar devaluation which would, in turn, facilitate an inflationary spiral.

● A modest annual adjustment via a low inflation rate might be more effective in bringing about any required change in US terms of trade.

● The main obstacle to such a low inflation policy is the US record of trotting inflation - averaging around 4 to 5 per cent a year - which itself affects expectations for the price level and the currency.

● The high income elasticity of demand for imports and low one for exports may themselves be a mis-specification reflecting inflationary expectations and past excess demand.

Nevertheless Krugman is always well worth reading, even by a shmoo. He is particularly interesting on Germany, where he provides an explanation for the lack of relationship between the D-Mark's real exchange rate and the German balance of payments.

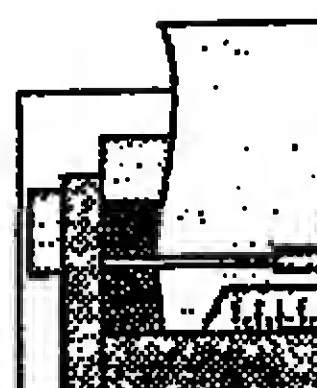
The reason is that when trade flows are as large as they are within Europe, the exchange rate changes needed to accommodate capital flows are small and easily obscured by growth effects, measurement error and secular change. Exactly. Roll on the single currency.

*11 Dupont Circle, NW Washington, DC, 20036, \$12.95.

PERSONAL VIEW

Britain's high-speed gateway to Europe

By Peter Hall



Two government decisions last week have momentous implications for the development of London of the Channel tunnel high-speed rail link, was followed by that of Mr Michael Heseltine, the environment secretary: there would be a study of development prospects in the East Thames corridor.

The two decisions are, of course, linked. They signal that the government has given an amber light, at least, to what ultimately could prove the biggest urban development scheme in British history - larger perhaps than the eight original London new towns, or London Docklands. But the rail link will be more: facing the capital firmly eastward, it will be London's - and Britain's - gateway to Europe.

A sense of history is needed to understand the significance. In modern London most great structural decisions have concerned transport: the building of the Tubes and especially their extensions, which created suburbs; the wartime decision to build Heathrow, which triggered later growth in the M4 corridor; the M25; the decision to develop Gatwick in the 1950s and Stansted in the 1980s.

Now there is another. No one who has followed events in Europe, no one who has travelled at 187mph on the TGV Atlantique, can have any doubt that high-speed trains will be a major formative technology of the 21st century. They will have as profound an effect on urban development as the original railways in the last century, or the motorways in this one. And this effect will be particularly dramatic in north-west Europe, where the geography is particularly favourable to them. Cities that fail to connect themselves to the new network will do so at their peril, just as Newbury

and Northampton discovered when the original railways bypassed them 150 years ago. But now it is world cities, like London, that must take heed as they compete in a new international Europe with Paris, Brussels, Frankfurt and Berlin. That is why the route matters so much. True, because high-speed trains are so new, we do not have much direct knowledge about their impact. We do know that Lyon has reconstructed itself, building a new city centre around the new Part-Dieu station on the TGV-Sud Est, opened in 1981.

Similarly, Osaka has developed an important new business centre, separate from the old core, around the Shin-Osaka (New Osaka) station.

In London, the new line will end at King's Cross. BR wants it as an interchange hub between the north and the continent, because of Customs considerations and because the new Transmanche trains, built to run on several different European railway standards, will prove expensive compared with regular inter-city trains. But a station at King's Cross is tied to the big redevelopment above the station, which now faces local planning problems.

In any case, an intermediate station at Stratford could compete vigorously with it. By the end of this decade the line will have two Tube lines (Central and Jubilee), the Docklands Light Railway and the new Crossrail express link from central London. Equally important, it will be linked three ways via an M1 extension: to a rebuilt North Circular Road, to a new bridge across the Thames, and to a high-quality highway via Canary Wharf into the City. Thus it can be what King's Cross could never be: an important park-and-ride station, offering facilities just like the original railways in the last century, or the motorways in this one. And this effect will be particularly dramatic in north-west Europe, where the geography is particularly favourable to them. Cities that fail to connect themselves to the new network will do so at their peril, just as Newbury

garden suburbs bordering the Thames - but also huge commercial potential. At its western end, just off the high-speed line but connected to it, are the Royal Docks where development is now halted by the recession in the construction industry, but where the basic infrastructure is now almost complete. Downstream is Rainham, where MCA's proposed studio and theme park is now likewise stalled but could revive. And, across the Thames in Kent, close to the M25, Blue Circle is developing proposals for its chalkpit lands.

The prospect is thus immensely exciting: in combination, a combined high-speed link, a new commuter-line spine built in parallel (thus saving costs on both), a series of significant international developments, and a city of riverside garden suburbs. And all of them facing directly out down the Thames gateway into Europe, with direct access to Paris, Brussels and the European heartland. As the business cycle turns upward, the development industry revives - almost certainly, just at the right time. The commercial potential is mind-boggling.

It will need careful assemblage and good overall strategic planning, both in terms of land use and in terms of the necessary financing. Here, last week's announcement is significant: the rail link will be privately financed, so it and the wider development must be seen as an integral package.

Provided that is forthcoming, the impact could be truly historic: London's westward drift, which began four centuries ago, could be reversed. A decade ago, Mr Heseltine began that process by creating the London Docklands Development Corporation. Now he has the chance not only to succeed where Canute failed, but more: not merely to halt the tide, but to reverse it, down the Thames and into Europe.

The author is director of the Institute of Urban and Regional Development of the University of California at Berkeley, and is special adviser to Mr Michael Heseltine. This article is written in his personal capacity.

A shmoo is someone who doubts the need for frequent exchange-rate adjustments

tary policy has been eased in terms of interest rates, but only in the last year or so. In terms of the targeted monetary aggregates, it has tightened. Nor has the dollar conformed to the policy prescription. It fell quite sharply up to the Louvre Accord of 1987, but has since bobbed up and down at a much higher level than most Mass Ave has desired. Nevertheless, one thing has happened that the Eastern seaboard mainstream fervently desired. The US balance of payments deficit has declined. Take no notice of its near-disappearance in 1991, which mostly reflects international payments for the Kuwait war, as well as the recent US recession. Even by 1990 the deficit had declined enough for the Institute for International Economics to organise a conference on international adjustment. The Institute has issued

Representative elasticity estimates		
	Imports	Exports
Income elasticity	1.1	1.2
Long-run price elasticity	1.8	0.8
Long-run exchange rate change to initial trade volume response	0.6	0.8
Exchange rate effect on price	0.9	0.2

Source: Krugman

LETTERS

Wrong conclusions on works councils

From Mr Eric Forth MP.

Sir, Dr Heller makes two points (Letters, October 10) about the proposed EC directive on European Works Councils. He says that works councils such as those proposed have not damaged the efficiency of other European countries with mandatory schemes. And he criticises the basis on which we drew conclusions from our consultation exercise because only four or more of those who were sent the consultation document responded.

On the first point, the proposal in the draft directive is for a trans-national works council - a statutory body which does not, and indeed could not, exist at the present time anywhere in Europe. It is wrong to draw conclusions about how the EC proposal might work on the basis of existing, purely national, schemes. The proposal has been opposed by employer organisations across Europe and also by UNICE, the European employer group.

On the second point, I do not accept Dr Heller's criticisms of the conclusions drawn from our consultation exercise. It is our practice to consult as widely as possible on all the many proposals put forward under the Social Action Programme. Not all the organisations consulted will be directly affected by each proposal. I am satisfied that the responses we received covered the great majority of those who would be affected by the European Works Council proposal. In any case, it is indisputable that business, not only in the UK but throughout Europe, sees the proposal as a threat to their own arrangements for worker participation.

Eric Forth, *parliamentary under-secretary of state, Department of Employment, Caxton House, Tothill Street, London SW1*

Investment in US gas pipeline

From Mr Branko Terzić.

Sir, The issue of whether or not investment in the natural gas pipeline industry in the US is "exaggerated", as claimed by Mr Francis Gutman of Gas de France ("French gas chief attacks Britain" October 11), may be clarified by information as to actual experience.

The Federal Energy Regulatory Commission has approved \$10.4bn of investment and 9,770 miles of new pipeline construction during the period October 1 1988 to September 30 1991. These investments were made with full knowledge of proposals to continue the introduction of competition in natural gas transmission.

Branko Terzić, *commissioner, Federal Energy Regulatory Commission, Washington DC*

Tobacco advertising illogicality

From Mr A V Knight.

Sir, Last week's advertisement by the Tobacco Advisory Council was illogical in that it defended the case for advertising by quoting a court ruling that there was no demonstrable link between tobacco advertising and consumption.

In this weeks advertisement we are treated to Lenin and liberty.

Would the Tobacco Advisory

Council argue as strongly for the right to advertise cocaine, or glue-sniffing in your newspaper?

Oh yes, I know there is a difference between tobacco and other drugs. Drugs kill their users, tobacco kills other people as well.

A V Knight, *14 Mitchell Walk, Amersham, Bucks HP6 6NW*

Hanson and its shareholders

From Mr Peter J Harper.

Sir, Roland Rudd's article (UK Company News, October 10) implies that Hanson's institutional investors have not had the opportunity of raising with the company important questions relating to such matters as corporate strategy, operational organisation and "break-up" value. This is not correct.

Hanson's policy is to meet all major shareholders individually on a regular basis. In the past year alone more than 130 formal meetings have been held with institutions including, of course, all those listed in Mr Rudd's article.

Nearly half the meetings have included four or more representatives from the individual investing company and the other meetings have

involved two or three people. Every possible aspect of Hanson's business and strategy has been discussed as freely as the rules on price-sensitive information allow.

Since the bid for Beazer was announced in early September all such further meetings have been postponed and none can be planned until after Hanson's full-year results are announced in December.

When institutional meetings recommence we look forward to responding to any questions relating to Hanson's activities. It is one of my main responsibilities at Hanson to see that we continue to do so.

Peter J Harper, *Hanson, 1 Grosvenor Place, London SW1*

Underwriting rights issues: an efficient and competitive process

From Mr Hugh Jenkins.

Sir, In your article "All wrong over rights" (October 14) you suggest that some aspects of the current system aspects of underwriting rights issues might be reviewed. It is not without some irony that the well-worn "money for old rope" adage is advanced at a time when the potential risks associated with sub-underwriting are plainly evident. Indeed, available evidence suggests that the costs of UK rights issues compare favourably with alternative methods of raising capital in international markets while fully safeguarding shareholders' interests.

Where the certainty provided by the underwriters is unnecessary we believe that the deeply discounted rights issue provides the most efficient mechanism of raising

new equity capital. And companies need not incur disproportionate dividend costs as the market is capable of correctly interpreting any dividend adjustment made necessary by the heavy scrip element.

Shareholders wishing only to maintain the total value of their investment in a company may wish to sell sufficient nil paid rights in order to take up the balance. Current UK taxation regulations impose capital gains tax if the value of such sales exceeds 5 per cent of the value of the shareholding's investment, thereby placing a potential ceiling on the size of issue. Raising this 5 per cent tax threshold would be a positive step towards improving companies' capital raising efficiency, while safeguarding shareholders' interests.

The deep discount mechanism does provide an efficient means for the market to differentiate between the qualities of competing capital raising proposals. Well-regarded companies will command narrower issue discounts, thereby achieving one of the objectives highlighted in the Lex column ("The wrongs of underwriting", October 15). Rights issues ensure that value is not transferred from ordinary shareholders when companies raise new equity capital.

Hugh Jenkins, *chief executive, Prudential Portfolio Managers, 1 Stephen Street, London W1*

From Mr Keith Hunt.

Sir, Underwriting of rights issues is rather more competitive than Lex suggests. An underwriting agreement

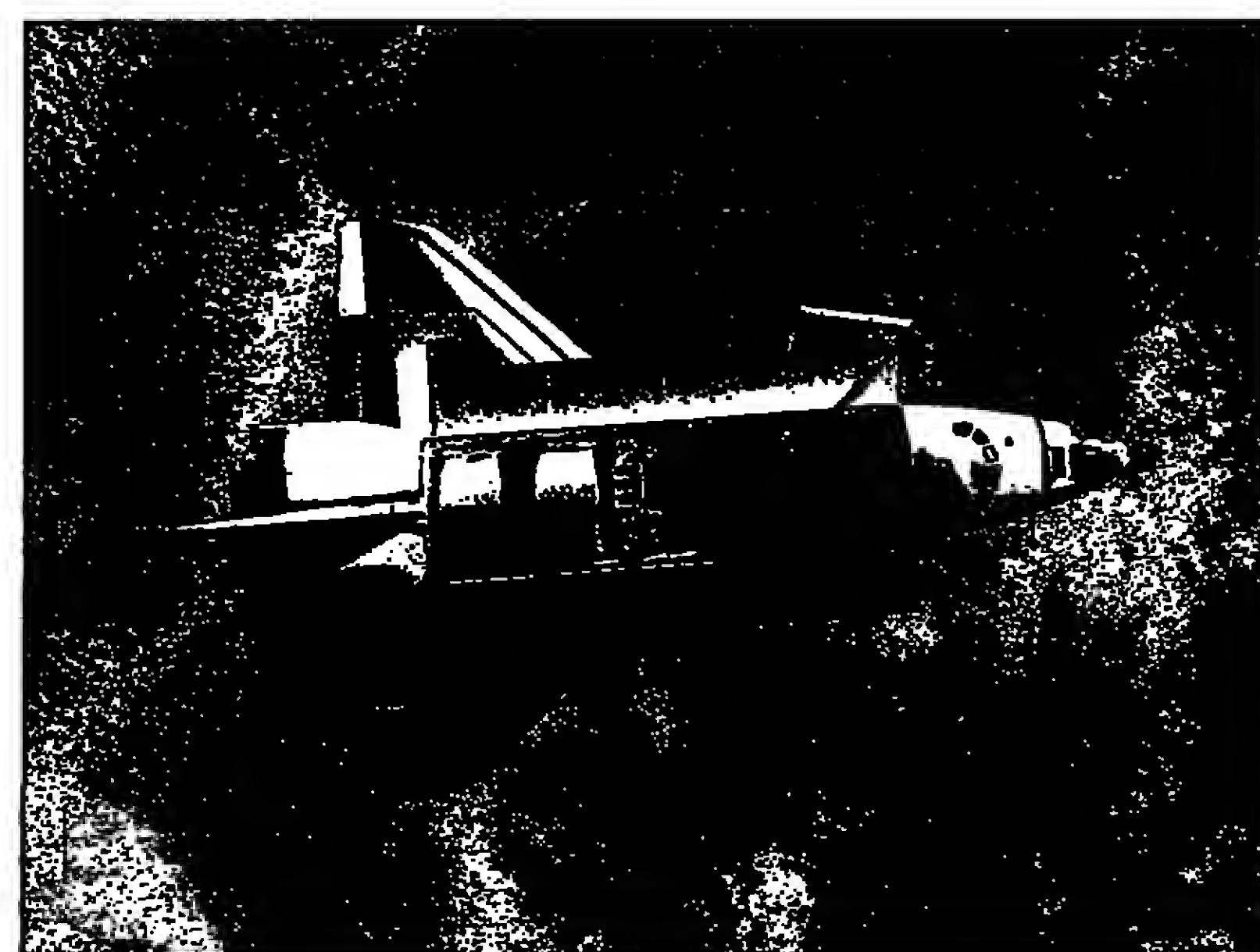
is a put option. Conventional put options have a fixed exercise price and a negotiable premium. The put option in an underwriting agreement generally has a fixed premium and a negotiable exercise price.

This inversion of the negotiable element of the option does not imply a restrictive practice. If anything, it intensifies the competition, since the underwriting institutions feel more comfortable with this structure and therefore feel able to bid more competitively.

Keith Hunt, *Granville & Co, Mint House, 77 Mansell Street London E1*

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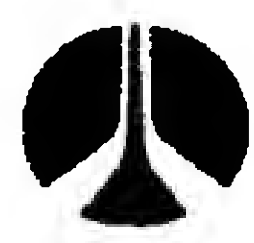
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Yeltsin joins Yugoslav mediation attempts in meetings with Tudjman and Milosevic Forces in Croatia ignore ceasefire

By Laura Silber in Belgrade and Gillian Tett in Moscow



An elderly man weeps as he leaves the east Croatian border village of Nustar with his belongings

THE Yugoslav republic of Croatia was yesterday engulfed in fighting despite attempts by the Soviet Union to implement a ceasefire between the leaders of Croatia and Serbia.

Mr Boris Yeltsin, the Russian president, joined the attempts at mediation by Mr Mikhail Gorbachev, the Soviet leader, when he met both the Serbian and Croatian presidents separately in Moscow.

Western observers have suggested that Russia's role as a key oil exporter to Yugoslavia could give it some leverage over the Serb-dominated presidency of the country.

Mr Franjo Tudjman of Croatia and Mr Slobodan Milosevic of Serbia signed the ceasefire agreement in Moscow on Tuesday.

But Mr Tudjman said yesterday that he was sceptical about holding early peace talks with Mr Milosevic in spite of agreeing to do so less than 24 hours earlier, and Mr Milosevic continued to insist that the Serbs alone were the victims in the current aggression.

The manoeuvres in Moscow came as Croatian radio reported that key towns in central and eastern Croatia were under attack by the federal army and Serb forces.

It said Vukovar, set on the banks of the river Danube, which marks Croatia's border with Serbia, was under fire from mortars and grenades launched from Vucedol, a nearby Serbian village.

Croatian radio also reported that Vukovar, a vital railway junction about 15 miles south-west of Zagreb, had been hit by 10 rockets which damaged the town hospital and destroyed the local fire station.

Tanjung, the Belgrade-based news agency, said "several federal army soldiers" were wounded when Croat forces launched an attack on Marinci, five miles south of Vukovar.

The federal army has tried to conceal casualty figures, but doctors from the Belgrade military centre say several helicopters arrive each hour with casualties.

Politika, the socialist-controlled Belgrade daily, admitted yesterday for the first time that the federal army was plagued with problems. It said army reservists "have not always been properly trained and equipped".

It called for "the army to become a professional army as soon as possible" and cited the "rising costs of the war". The Serb-dominated federal army has been hit by mass desertions of reservists who have returned from the front with reports of a disorganised military campaign.

Croatian radio also reported clashes around Okučani, 110 miles east of Zagreb, the Croatian capital, where fighting since August has forced the closure of the main motorway which links Belgrade with Zagreb.

Two Croat national guardsmen were killed when ambushed near army barracks on Mali Losinj, a northern Adriatic island.

Serbia and its three allies on the state presidency met in Belgrade to prepare for the European Community peace conference in The Hague due to resume tomorrow.

The presidency ordered the federal army to drop its traditional communist red star, in a move designed to head off desertions, and decided to raise daily allowances for reservists.

The Independent Television Commission has pulled off a considerable coup. The UK taxpayer can carp about the way Central and Scottish walked off with franchises for a mere £2,000 apiece, while admiring the nerve of London Weekend and Granada for daring to bid less than they were able to afford. The fact remains that the great ITV auction raised an extra £40m a year for the Treasury without materially altering the sums available for programme making, while sacrificing to almost universal acclaim the two incumbents which most conspicuously squandered the fruits of their monopoly, namely TVS and Thames. Presumably TVS's tentative mention of the judicial review option will be quietly forgotten by the weekend.

The losers are perhaps not confined to the also-rans. Most of the victors were rewarded yesterday with modest increases in their share prices, but in some cases the sums paid raised eyebrows. Yorkshire seems the most glaring example. Its £38m bid was £20m more than the regional runner-up, and £1m above what looks to be the rather full price paid by Meridian for the south and south-east England licence. The Yorkshire area enjoys an 8.8 per cent share of national advertising revenue, the south and south-east 11.5 per cent. Yorkshire shareholders are certainly entitled to an explanation, and may justifiably wonder why major holders like W.H. Smith and Pearson, with seats on the board and a combined 40 per cent stake, allowed the bid to get out of hand. Extraneous management at Tyne-Tees and Anglia may also be hanging on at investors' expense.

The emergence at the same time of several notably strong companies underlines the prospect of an ITV network - operating in an increasingly competitive environment in the 1990s - dominated by a handful of players. Scottish and Central will enjoy a huge advantage from their low bids, while Scottish is likely to pay no more than 2 per cent of its net advertising revenue to the government in the first year. Granada's £5m bid may, in the end, have been £9m more than strictly necessary. But combined with this week's sale of its disastrous Canadian rental business, Warburg's glowing projections for BSkyB and yesterday's remedial action at computer services, the damage that Granada has retained its cherished franchise cheaply should hasten the arrival of a new chief executive. LWT is probably the biggest winner of the lot, with its share of the successful Sunrise breakfast franchise guaranteeing more efficient use of its studios. Mr Michael Green's Carlton Communications is also a credible new force, with the shares resting as much on his entrepreneurial flair for exploiting programmes as on the vagaries of future advertising growth.

One cannot fault Wimpey's timing. While its shares rose on the £105m sale of its waste management business, those of fellow Channel tunnel contractor Costain dropped by 10 per cent. Wimpey might have sold a profitable set of holes in the ground to protect itself against a single large hole, but at least the market does not think it is in trouble.

In keeping a few waste sites, Wimpey has retained saleable assets which do not require precious cash to keep them going. With money from the recent Little Britain sale due next year, Wimpey should thus survive the recession, albeit in its original simpler shape as a cyclical construction company. So much for diversification.

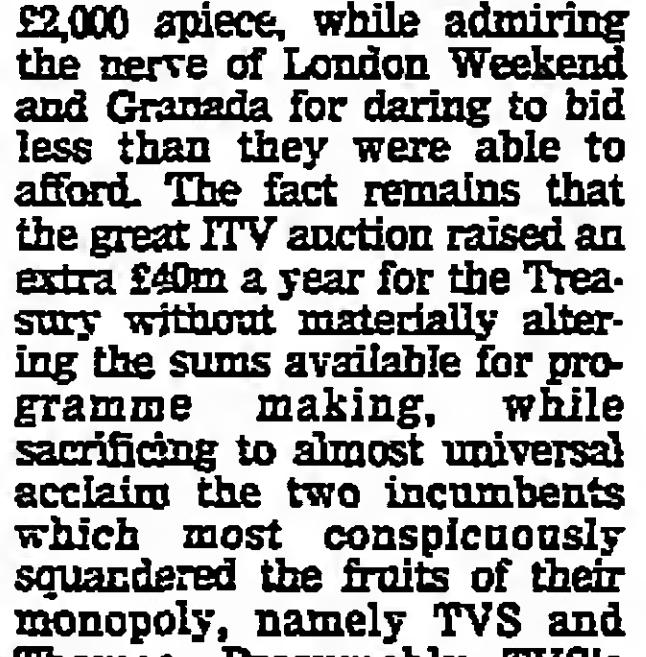
As for the buyer, Wessex Waste differs from the other water companies in leaving management of its diversified business to specialists inside its far larger US joint-venture partner. Waste Management Inc has earned the best part of \$1bn pre-tax so far this year, so its operating entry to the UK market is significant more so, perhaps, than the headlong rush for unregulated earnings by the likes of Severn Trent. As Shanks & McEwan has amply demonstrated, the earnings stream from waste management can be as dangerously unpredictable as some of the

THE LEX COLUMN Adjusting the TV picture

FT-SE Index: 2,579.0 (+2.3)

Asda

Share price (pence)



Source: Datastream

substances requiring treatment. Water companies have plenty of experience with sewage, but that is scarcely a convincing qualification.

PSBR

It is always dangerous to extrapolate too much from one month's PSBR figures; last month's high figure of £2.9bn, for instance, may owe something to late collection of poll tax and VAT. But the trend in the first half of the financial year is clearly one of recession-induced deterioration in government finances. The gilt market has been discounting a borrowing overshoot for some time, which may explain its initial, somewhat muted reaction. But a first-half requirement of £10.8bn makes nonsense of the chancellor's projected £7.9bn for the year.

One question is how far he will admit to this error in the autumn statement. A longer-term worry must be the short fall in income tax receipts due to pressure on wage growth and the rise in unemployment. Both factors are likely to swell next year's borrowing total, a consideration of which the market is still only dimly aware. More important for Mr Lamont, flagging revenues make it extremely tricky to conjure up a growth budget just ahead of a spring election.

Asda

The immediate effect of securing a young, high-flier like Mr Archie Norman as chief executive of Asda is to put the rights issue finally out of danger. The longer-term question is whether Mr Norman will make it extremely tricky to conjure up a growth budget just ahead of a spring election.

Asda is also badly in need of Mr Norman's financial expertise. The new chairman perhaps exaggerates in claiming that the company's difficulties are purely a matter of financial structure and not operational at all. But the rights proceeds will at least make the company stable in cash terms. The next task is to impose a radical change in strategic direction. Until proposals are produced in a few months' time, it would not do for investors to get carried away. But there are encouraging signs that what ever the strategy, it will no longer consist of a rumormongered battle with Tesco and Sainsbury.

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Mulford says Congress is frustrated by slow pace of reforms US urges Japan to act on scandals

By Robert Thomson in Tokyo

THE US wants the Japanese government to produce evidence today that "decisive action" will be taken to prevent a repeat of the securities and banking scandals which have undermined confidence in the Japanese financial system.

Mr David Mulford, US Treasury under-secretary for international affairs, said yesterday the US would be watching closely the responses of Japanese Finance Ministry officials at a regular bilateral meeting today on financial reform.

He said the US wanted a "different approach" compared with past Japanese reforms, which he said "lacked in transparency" were too slowly introduced and did not remove inherent flaws that allowed the spread of unfair practices.

"We want to see a credible approach with credible enforcement to make it past this crossroads," Mr Mulford said. He hinted that the US might take a more active role in the Japanese debate on the scandals, and said that US Congress was increasingly frustrated at the generally slow pace of financial reform.

The scandals, which included brokers' compensation of favoured clients for losses and dealings with gangster groups, prompted Tokyo to propose a new monitoring body responsible to the finance minister. But the government has resisted calls for an independent body akin to the US Securities and Exchange Commission (SEC).

Mr Mulford said the US was not insisting that Japan establish an SEC-like body, but wanted to see a determination to stop unfair practices and would not be happy with "administrative guidance" or "step by step measures". A lack of clear rules, he said, had meant that "everybody knew" favoured clients were compensated and that "it was tolerated".

"It is a scandal that the system for 40 years has deprived investors of a market rate of return on savings," Mr Mulford said.

US officials will also be raising their standard complaints about Japanese financial reform, with particular emphasis on interest rate deregulation, as well as the acceptance of new financial products and foreign access to pension funds and investment trusts.

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Neo-Nazis 'control attacks on foreigners'

By Leslie Collett in Berlin

THE LEADER of the Jewish community in Germany yesterday angrily accused politicians of reacting "much too late" to attacks on foreign workers and asylum seekers.

"These attacks are controlled by radical right-wing parties and are not spontaneous as some politicians claim," said Mr Heinz Galinski, chairman of the Central Council of Jews.

Speaking in Berlin's rebuilt Jewish Community Centre, he said that Germany had become a "hotbed" of neo-Nazis.

His alarm was shared by Mr Hans Lindner, president of the Federal Criminal Office, who described the attacks yesterday as a danger to Germany's internal security that should not be underestimated.

Seven hundred criminal offences against foreigners were recorded between August and mid-October, compared with 100 in the previous seven months, he said.

Mr Galinski said the attacks by right-wing extremists were the "penalty" for Germany's failure after 1945 to confront its Nazi past. "Everything was suppressed, forgotten, dismissed," he said, implying that the lessons of the Nazi era had not been learned by the younger generation.

He also condemned as a "show" the recent visits by leading German politicians to homes for asylum-seekers where he said they "patted children" on the head.

As the senior representative of nearly 34,000 Jews in Germany, his contact with German leaders are frequent and close.

But the 78-year-old Mr Galinski, who is also feared for his sharp tongue, said that the attacks were instrumental in re-establishing the Berlin Jewish Community in 1949 with the help of the German authorities. The number of Jews in the country expanded by 9,000 this year as a result of migration by Soviet Jews.

The Jewish leader also repeated criticism of large German companies for failing to indemnify foreign slave labourers who worked for them during the Nazi era. Among others, he named Siemens, Krupp, and IG Farben, the chemicals cartel which broke up into the three chemical companies after the war. He accused them of refusing to meet their obligations.

"I was in the Marowitz branch of Auschwitz (concentration camp) where we worked for IG Farben. The SS got the money but IG Farben had the benefits," Mr Galinski claimed.

This Friday he will mark the 50th anniversary of the deportation of Berlin Jews to the Westerbork camp. Together with Mr Bernhard Diepgen, the Mayor of Berlin, he will place a wreath at suburban Grunewald railway station where the Jews were rounded up.

Economy 'heading towards sharp downturn'

JAPAN'S ECONOMY is at a turning point and is heading towards a sharp downturn, to judge from the latest economic statistics, an official at the Ministry of International Trade and Industry (MITI) said, Reuters reports from Tokyo.

"The Japanese economy is headed for the most serious slowdown since the first oil crisis in 1973-74, judging from quarterly industrial output," he said.

Japan's industrial production in August decreased 2.5 per cent from the previous month, revised downward from a preliminary decrease of 2.1 per cent, MITI said.

It revised September industrial output shows a fall of more than 0.5 per cent month-on-month, industrial output in the July-September quarter would show negative growth compared with the previous quarter.

That would constitute three consecutive quarter-on-quarter falls and would be the first time this has happened since 1974.

Capacity utilisation for August fell by 2.9 per cent month-on-month to 103.6, a level seen in the previous economic slump in 1985 when Japanese exports were hit by the sharp appreciation of the yen against the dollar, the official said.

He added that, as far as he knew, no Japanese economic indicators released recently had provided any encouraging factors for the domestic economic climate.

Interest groups which he said had scoured the country seeking dirt against him. These same interest groups are often parties to the cases which come before the Supreme Court, leading some activists to argue that Mr Thomas should excuse himself from such cases.

Among the cases which Mr Thomas will hear is Franklin v Guinness, involving charges of sexual harassment. The case is likely to be closely watched because of the sexual harassment charges Mr Thomas himself faced over the last week.

During last weekend's confirmation hearings, Mr Thomas bitterly denounced the public

first Supreme Court justice to take his seat amid controversy. Justice Hugo Black, appointed in 1937, was found to have been a dues-paying member of the Ku Klux Klan, yet went on to become an influential liberal judge.

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Thomas takes break before assuming seat

By George Graham in Washington

JUSTICE Clarence Thomas will take a week off before assuming his seat on the US Supreme Court after narrowly winning his grueling battle for Senate confirmation on Tuesday night.

Mr Thomas won confirmation by 52 votes to 48, securing the votes of 11 Democrats as well as 41 of the 48 Republican senators.

The lifetime appointment means the 43-year-old Mr Thomas could have decades ahead of him as one of the nine Supreme Court justices charged with interpreting the US constitution.

Thursday October 17 1991

MIDLAND MONTAGNI IS THE INTERNATIONAL AND INVESTMENT BANKING ARM OF MIDLAND GROUP
 ASSOCIATED BY MIDLAND BANK INC. A MEMBER OF MIDCO. INVESTORS CONDUCTING INVESTMENT BUSINESS WITH MIDLAND BANK PLC'S BRANCHES AND
 SUBSIDIARIES OUTSIDE WILL NOT BE PROTECTED BY THE RULES AND REGULATIONS MADE UNDER THE FINANCIAL SERVICES ACT 1986.

Granada computer arm shake-up

GRANADA GROUP, the leisure and services conglomerate which yesterday retained its commercial television franchise, announces it is restructuring its computer maintenance and services business with the loss of 550 jobs across Europe - about 18 per cent of the workforce.

The company said the move was expected to cost about £15m and would be treated as an exceptional item in the 1991 accounts.

Of the 550 of the job losses, mainly affecting sales and marketing staff, would be in the UK, said Mr Alex Bernstein,

the chairman. Technical staff would not be shed and customers would suffer no decline in service.

The company concerned, Granada Computer Services International, is the largest independent maintenance company in Europe. It has 20 per cent of the market, about four times its nearest rival.

It was not profitable, however. Losses last year were £5m on revenues of £170m. Mr Bernstein said minor changes had been made to improve profitability but he realised more radical steps were needed. The

division would be profitable by the end of the year.

A team under Mr John Curran, appointed chairman of Granada's business services division in July, looked at operations across Europe and decided to cut costs.

Independent maintenance had been one of the major growth areas in the computing services business in recent years and was still growing at about 10 per cent a year. Many of the companies which moved into computer maintenance were disappointed, however.

Granada Computer was formed through the acquisition

of two of the best known pioneering independent maintenance companies, DPCE and CFM. Mr Bernstein agreed that Granada had underestimated the difficulty of welding them together.

He believed that tight management had been achieved under Mr Curran, a veteran in the computer industry.

Granada's move into computer maintenance was associated strongly with Mr Derek Lewis, who resigned as chief executive, in May. Mr Bernstein said he hoped to name a new chief executive by the end of this month.

INVESTOR and **Providentia** the two listed investment companies of the Wallenberg family, yesterday reported higher profits for the first eight months of 1991 because of the sale or transfer of significant shareholdings.

Mr Archie Norman, finance director of the Kingfisher group, will become chief executive of Asda, shareholders of the debt-laden grocery retailer, were told at an extraordinary meeting yesterday.

Asda, which has been trying to raise money for nearly six months, had been rebuffed by several leading businessmen before it announced its new chief executive.

Mr Norman said he found the offer "irresistible". He would implement significant changes in the running of the UK's fourth-biggest grocery retailer. "There is a clear need for a new direction; no change is just not an option. The business cannot stand still."

Asda embarked on a streamlining initiative to save £8m (£1.5m) a year which

will lead to the loss of 350 head office jobs.

Analysts remain sceptical that Asda will be able to find a new formula for tackling the strategic dilemmas of competing with the fast-expanding Sainsbury, Tesco and Safeway chains, which between them have raised nearly £1.5bn this year.

Mr Norman dismissed such talk as "misguided" and criticised what he called the "black propaganda" against the Asda bid in the terminal decline.

There is no evidence to suggest that Asda is anything other than a secure business, with more than £4bn of sales, and a healthy record of profits, he said.

The announcement of Mr Norman's appointment coincided with the approval of

Asda's proposed £357m rights issue, which will help reduce its £381m debt. A syndicate of about 30 banks have agreed to amend the group's borrowing facilities.

The date of Mr Norman's departure from Kingfisher has yet to be decided.

Mr Patrick Gilliam, Asda's new chairman, said Mr Norman fulfilled the ideal specification for the job, but "succeeded in his career with retailing experience."

Asda's new chief executive, who is 37, joined Kingfisher as finance director in 1986. He was formerly a partner of McKinsey and Company, having joined them in 1979 after beginning his career at Citibank.

Lex, Page 21
Rights issue, Page 28

TRANS European Airways (TEA), Belgium's largest airline, is moving a step closer to shutting down yesterday when its holding company and the airline were put into liquidation by a court. In a further setback, the Flemish regional authorities refused to back a rescue package.

The court decision allows the airline to continue operating its charter service and its one scheduled route between Brussels and London Gatwick.

Formal liquidation was intended to prepare the way for takeover by a consortium led by the Belgian businessman Mr Victor Hasson, and the Flemish regional investment fund, which would have taken a 49 per cent stake.

But the Flemish region decided Mr Hasson's plan - which would have capitalised

the company at BFR265m (\$7.5m) - was too risky, partly because the London-Brussels route was running at a loss and partly because Mr Hassan's business is managing hotels, not airlines.

Mr Alain Zinner, TEA's lawyer, said: "The maximum that this [situation] can go on for is two or three weeks and then either there has to be a takeover or it [the airline] will

TEA, which is privately owned, had returned losses for the last two years and won court protection from four group companies' creditors last month. Those subsidiaries had liabilities of Bfr2.94bn, and in 1990 the group's Belgian-based activities lost Bfr651.8m.

TEA (UK), the company's British charter arm, ceased trading last month.

MAN, the Munich-based trucks, printing machinery and engineering giant, said yesterday that its net profits for 1990-1991 rose by 24 per cent, higher than the 22 per cent rise indicated a month ago when the company gave the first details of its results for the year to end-June, writes David Waller.

MAN's profits were DM406m (£37m) against DM338m for the previous year, reflecting unexpected demand for machinery and printing products from eastern Germany. In February, the company said it thought earnings would rise only slightly.

MAN confirmed that the 1990-1991 dividend would rise to DM12 from DM11 per share and sales in the first quarter of this financial year were up 7 per cent over the year-ago period.

OUTOKUMPU, the Finnish state-owned base metals group, slid into the red during the 1982 calendar year. The group reported a loss before extraordinary items of FM255m (\$61.2m), against a profit of FM208m in the corresponding period last year.

Consolidated sales rose 14 per cent to FM2,029m from FM1,766m. Operating margin fell to FM15m from FM42m, accounting for 9 and 11.9 per cent of sales respectively.

The loss per share was FM3.45, against a profit of FM0.73 a year earlier.

Mr Pertti Voutilainen, president, said that lower demand for metals and larger stocks was undermining a recovery for the worldwide base metals industry.

"Good years for the base metals industry are predicted

again for the mid-decade," he said.

● Mr Voutilainen has been appointed chairman and chief executive of Kansalliso-Sakepankki (KOP), the country's largest commercial bank. He has replaced Mr Jaakko Lasilta, KOP president.

● Tampella, the troubled Finnish forest group, yesterday asked the Helsinki Stock Exchange authorities to continue its suspension of trading in the company's shares.

Trading of Tampella shares was suspended on September 20, a day after the Bank of Finland, the country's central bank, moved to rescue Skopbank, Finland's fourth largest bank.

Skopbank is a large Tampella shareholder.

Trading of Skopbank shares was resumed yesterday.

NORWAY'S top 30 savings banks experienced a combined operating loss of Nkr700m (Ghs1.1m) in the six months of this year, compared with a profit of Nkr500m in the corresponding period last year, writes Karen Fossil.

The deterioration reflected the impact of credit losses. The Savings Bank Association said.

The remaining banks returned operating losses of Nkr70m, compared with a Nkr80m profit last year.

Credit losses rose to Nkr2.7bn from Nkr2.25bn, while net interest earnings declined to Nkr8.75bn from Nkr6.85bn.

Separately, Christiana Bank, which announced on Monday it faced technical insolvency, said depositors had withdrawn Nkr450m from the bank.

NORSKE Skog, the Norwegian pulp and paper producer, has posted a Nkr302m (\$46.1m) drop in eight-month profits to Nkr429m and forecast that profits for the year would fall.

The group attributed the decline in profits to a marked drop in market prices for pulp and poor demand for timber.

Group operating income in the period fell to Nkr6.127m from Nkr6.611bn in the year earlier period.

The company said that lower earnings would affect the group's investment programme. Expenditure this year will be reduced to Nkr1.6bn, down from a planned Nkr2bn.

The group's equity-to-debt ratio was 32 per cent, compared with 40 per cent at the end of 1990. Liquid reserves amounted to Nkr3.1bn.

By William Dawkins

GROUPE Victoire, the French insurance company controlled by Compagnie Financière de Suez, yesterday revealed a 35 per cent decline in profits for the first half of the year.

The decline in net group profits to FF924m, from FF1.43bn (\$245.4m) in the first six months of last year, was almost entirely because of a sharp reduction in exceptional gains. Victoire made heavy asset sales in the first half of last year to finance its takeover of Colonia, the German insurance group.

Pre-tax profits were stable at FF400m on turnover of FF33.3bn, up from FF30.1bn.

Assuming no unexpected large claims arise in the second half of the year, Victoire said it expected full-year net profits to about equal to last year's FF1.8bn.

Mr Jean Arvis, Victoire's chairman, refused to comment on French press reports that Union des Assurances de Paris, the largest state-owned insurer, was negotiating with Suez to exchange IAP's minority stake in Victoire for control of some of Colonia's

KVAERNER, the Norwegian engineering, shipping and shipbuilding group, yesterday reported a Nkr64m (99.5m) increase in eight-month pre-tax profits to Nkr750m, helped by two key acquisitions earlier this year.

Group operating profits in the period increased slightly to Nkr550m from Nkr533m.

Kvaerner said that the acquisition of Kvaerner Massa Yards, a Finnish shipbuilder, and Kvaerner Aker, a Norwegian shipbuilder, contributed to the profits increase. Profits from shipbuilding activities rose by Nkr339m from Nkr10m in the year-earlier period. Profits from shipping activities increased by Nkr111m to Nkr213m.

The company said that orders during the eight-month period rose to Nkr12.35bn from Nkr8.55bn a year earlier. The group's order backlog increased by Nkr405m to

INTERNATIONAL COMPANIES AND FINANCE

Philip Morris surges 20% to \$1.1bn

By Nikki Tait in New York

PHILIP MORRIS, the tobacco, food, and beer group, yesterday rolled out, with its usual predictability, a 20.7 per cent advance in third-quarter profits. The group lifted after-tax profits to \$1.13bn, on sales 7.4 per cent higher at \$13.8bn.

The net income figure compares with \$937m in the same period a year earlier, and means the group has notched up after-tax profits of \$3.22bn for the first nine months of the year, against \$2.66bn in the first three quarters of 1990.

At the earnings-per-share level, there was a similar 20.8 per cent improvement in the third quarter, to \$1.22. The figure was largely in line with analysts' expectations, but the shares edged slightly, down 3% at \$73.

Much speculation has surrounded Philip Morris' acquisition intentions and, as is customary, the company offered no hints yesterday. It did, however, say its consumer products debt-to-equity ratio had improved further, to 1.21 to 1 at end-September. This compares with 1.44 to 1 at the end of 1990.

In the profitable domestic tobacco division, revenues rose by 11.9 per cent to \$2.82bn, while operating profits were 14.1 per cent higher at \$1.21bn.

The group said domestic unit volume rose marginally - up 0.8 per cent - despite a 1.8 per cent industry decline. Overall, the Marlboro brand held its market share, but Philip Morris conceded this was partly due to the introduction of Marlboro Medium.

The international tobacco division clocked up a 10.4 per cent revenue gain, at \$3bn, while operating profits rose 20.4 per cent to \$501m. Unit volume, including exports, increased by 11.6 per cent - due to higher volume in Europe, the Soviet Union, the Middle East and Japan.

On the food front, there was a modest sales gain of 3 per cent, to \$3.69bn, but operating profits advanced by 14.3 per cent to \$710m.

Philip Morris said that, excluding Jacobs-Suchard, the coffee and confectionery group acquired during the third quarter of last year, and the fourth-quarter 1990 deconsolidation of certain subsidiaries, operating income rose an 8.7 per cent.

The beer division, which takes in the Miller brands, demonstrated the least fizz. Operating profits fell by 4.8 per cent to \$39m, although revenues picked up by 17.7 per cent at \$1.19bn.

Operating profits at Polaroid slip to \$47m

By Our Financial Staff

THIRD-QUARTER operating profits of Polaroid, the US photography group, dropped to \$47.2m from \$59.7m a year ago.

Net income rose to \$58.2m, or \$10.47 a share, from \$31.5m, or 42 cents, however, after including a pre-tax gain of \$25m from the settlement of a patent infringement suit with Eastman Kodak.

Nine-month net income was \$225.2m, or \$11.18 a share, against \$96m, or \$1.31.

Revenues totalled \$1.44bn, against \$1.38bn for the nine months and \$474.6m against \$463.7m for the third quarter.

Solid results at AMR prompt Wall St rally in airline shares

By Nikki Tait

AMERICAN Airlines, one of the largest US carriers, yesterday prompted a rally in airline stocks on Wall Street, when AMR, its parent company, reported 30.4 per cent improvement in operating profits, to \$187.2m in the third quarter. Revenue was 15 per cent higher at \$3.52bn.

A sharply increased net interest charge - up from \$64.4m to \$103.7m - meant that the gain at the after-tax level was far more modest. AMR made a net profit of \$70.3m in the quarter, compared with \$65.6m last time.

However, year-on-year comparisons are distorted by the abnormally high fuel prices resulting from the Iraqi invasion of Kuwait, which began to

take effect in the third quarter of 1990. In the third quarter of 1989, for example, AMR made a net profit of \$157m.

Yesterday, it said its fuel bill in the three months to end-September 1991 was little changed from the previous year, at \$458.8m. This was despite the 12.2 per cent increase in revenue passenger miles.

At the earnings-per-share level, the profits advance translated into a reduction year-on-year, from \$1.05 to 99 cents. In common with all big US carriers, the airline raised new money via a share issue earlier this year.

Mr Bob Crandall, chairman, said yesterday he was encouraged by the "modest" third-quarter earnings reported yesterday. However he claimed it was too soon to say whether the industry was pulling out of its nose-dive.

Like all its large rivals, American has blamed the most financially troubled carriers for driving down ticket prices, in order to attract cash-flow.

The airline saw a 65.8 per cent passenger load factor in the quarter, against 65.3 per cent while the break-even passenger load factor moved from 61.7 per cent to 62 per cent.

Nevertheless, news of the AMR figures pushed all airline stocks higher on Wall Street. AMR gained 3% at \$64, while Delta jumped 1 1/2 to \$69 1/2 and UAL, parent of United Airlines, improved by 3 1/2 to \$132.

Schwab up strongly on record sales

By Patrick Harverson in New York

CHARLES Schwab, the largest US discount broker, yesterday reported net income for the third quarter of \$13.2m, earned on record three-monthly revenues of \$147.4m. In the same quarter of 1990, Schwab made a profit of \$7.2m on revenues of \$109.5m.

A big rise in commission earnings and the contribution of principal transaction revenues from Mayer & Schweitzer, the recently acquired market-maker in over-the-counter stocks, were behind the strong performance of the San Francisco-based broker.

Commissions over the three months were up 25 per cent on the corresponding period of 1990, buoyed by heavy interest in domestic equities from individual investors. The number of trades executed by Schwab for customers each day averaged 17,000 in the third quarter, up from 14,900 a year ago.

Net interest revenue rose 11 per cent to \$20.5m, primarily as a result of continued growth in client assets invested at the broker's investment management unit and higher margin loan balances.

Expenses excluding interest, however, rose 35 per cent to \$132.9m due to a rise in volume-related employee compensation and increased spending on an extended branch network, customer service facilities and new products.

McCaw unveils network plan

By Karen Zagor

MCCAW Cellular Communications, a leader in the fast-growing US cellular telephone market, yesterday unveiled plans for a cellular telephone network that it hopes will ultimately link the entire US under a single cellular communications system.

Shares in McCaw held steady at \$29 1/2 in the morning, after climbing 3 1/2 a day earlier in anticipation of the announcement. The issue has traded in a range of \$11 1/2 to \$30 1/2 in the last year.

The move is the first step towards realising Mr Craig McCaw's dream of creating a "seamless" national cellular network. He wants to unite the scattered independent licensees competing against regional telephone companies into a group of local monopolies.

The first phase in the system, launched yesterday, will operate under the Cellular One

banner. It will allow subscribers in four large regions of the US - which take in New York, New Jersey, Pennsylvania, Florida, California, Nevada, Washington and Oregon - to receive the same services on the mobile system as they receive on home telephones.

Computerised exchanges will automatically pass calls to subscribers in the network so callers in these areas will be able to make and receive calls directly, instead of using a cumbersome series of access codes.

The next step, which the company said was already under way, will connect all of the McCaw and LIN Broadcasting (which is 62 per cent owned by McCaw) markets which have dissimilar types of switching equipment.

The final phase of the project will allow other independent North American cellular tele-

phone carriers to join McCaw's network.

McCaw, which is slated to report its third-quarter results on October 31, has expanded rapidly and assumed huge debts to fund its foray into the mobile cellular telephone business. It is expected to remain in the red for some time.

The company has spent about \$215m on the first stages of its network, with \$125m spent in the New York City area alone.

Honeywell, the US electronics and automation group, reported a dip in third-quarter profits at \$79.1m after tax, compared with \$86.8m in the same period a year earlier, writes Nikki Tait.

The figure, however, was scored on sales also down by 4.4 per cent at \$1.49bn, compared with \$1.56bn, while operating profits improved from \$172.5m to \$178m.

Provisions hit Security Pacific income

By Karen Zagor in New York

SECURITY Pacific joined Citicorp in posting weak third-quarter results when other big US banks provided evidence of the sector's recovery.

The need to increase loan-loss provisions amid continuing credit difficulties cut into the profitability of Security Pacific, which turned in a net loss of \$509m, or \$4.10 a share, against net income of \$135m, or \$1.05, in the year-earlier period.

The bank, which is slated to merge with BankAmerica, hiked its loan loss provision to \$1.2bn from \$240m a year earlier. Security Pacific also suspended its dividend.

The need to shore up loan loss provisions was reflected in the third-quarter results of Wells Fargo, another California bank, whose net income plunged to \$86m, or \$1.59 a share, against \$163m, or \$3.03, in the corresponding quarter of 1990.

Although the bank's loan loss provision was reduced to \$20m in the third quarter, compared with \$35m at the end of the second quarter, the provision was bigger than some analysts had expected.

The most auspicious results came from Chemical Banking and Manufacturers Hanover, the two New York banks which are merging to create the third biggest bank in the US.

Chemical turned in net income of \$131.6m, or \$1.32 a share, for the three months to end-September, against a net loss of \$43.7m, or 69 cents, a year earlier.

Manufacturers Hanover turned in third-quarter net earnings of \$77m, or 77 cents a share, against \$77m, or 89 cents, a year earlier. The decline in earnings per share reflects a higher number of shares outstanding in 1991.

The solid results came in spite of increased credit loss provisions and the impact of the weak economy on Manufacturers Hanover's credit portfolio and profitability.

Mr Jack Welch, chairman, said the strength of the company's long-cycle businesses (those not so vulnerable to the economic cycle), company-wide productivity and the group's increasing global presence had helped soften the impact of the US recession.

The figures were also helped by a one-time \$110m gain by NBC, the television network, on the sale of its interest in the RCA Columbia video joint venture. However, NBC's advertising revenues dropped significantly because of soft markets and lower ratings.

GE said the gain on the sale was more than offset by restructuring charges.

Georgia-Pacific shows deficit

By Nikki Tait

GEORGIA-Pacific, the largest US paper manufacturer, yesterday reported an after-tax loss of \$27m in the three months to end-September.

This compares with net income of \$95m in the same period a year earlier and means the company is showing a \$1m loss after \$60m of asset sales gains, for the first nine months of the year.

Georgia, which took over US forestry products group Great Northern Nekeosa in March 1990, said the outlook for the rest of the year was mixed. "Business conditions continue to reflect depressed markets in both pulp and paper and building products," said Mr T. Marshall Bahr, chairman.

He said the company believed the "low point" of the

recession in the paper business had passed and "business is turning up".

"With the exception of market pulp and newsprint, where there is just too much supply, prices for most of our paper products are improving," the chairman said.

Despite an improvement on the building products side against the 1990 situation, the company was not optimistic about prospects for the rest of 1991. Only in 1992 did it expect conditions to improve.

During the three-month period, operating profits from pulp and paper slid from \$78m a year earlier, to \$72m, while building products improved from \$11m to \$19m. Sales for the two divisions were \$1.5bn, against \$1.9bn and \$1.47bn,

against \$1.52bn, respectively. Total sales for the group fell to \$2.97bn from \$3.45bn.

Operating profits totalled \$207m, compared with \$278m, excluding asset sales in the period, while the after-tax loss would have been reduced to \$15m had the effect of asset sales been excluded. Georgia shares were up 3% at \$55 1/2 on the news.

Mead Corporation reported after-tax profits of \$55.3m in the three months to September 29, compared with \$45.8m a year earlier. Sales were down 8 per cent at \$1.21bn.

It too, blamed low prices for pulp, paper and containers, together with higher interest and depreciation costs related to its coated board expansion,

Coca-Cola advances 15.8% for quarter

By Nikki Tait

COCA-COLA, the US soft drink company, yesterday unveiled a 15.8 per cent improvement in third-quarter profits, at \$456.3m after tax. Sales during the period rose by 13.6 per cent to \$5.17bn.

The company also announced it was forming a joint venture in the Ukraine, designed to develop a "complete Coca-Cola system" there.

Of the results, Coca-Cola said US soft drink sales were still being affected by the recession. Unit case sales rose by less than 1 per cent and concentrates and syrups by 1.5 per cent, although in September there was "an improving trend over the volume softness

earlier in the third quarter".

Internationally, the picture was brighter, as unit case sales rose 8 per cent, while gallon sales of concentrates and syrups were up 6 per cent. Latin America and European Community sales were particularly strong.

Coca-Cola said the joint venture arrangement would increase its involvement in the region. A state-owned plant in Kiev already makes Fanta and Coca-Cola. It declined to say how much it planned to invest.

The joint venture initiative will initially concentrate on the existing Kiev plant, but the aim is to expand operations in the region.

Further setback for US motor industry

THE SEVERITY of the problems facing US car companies was underlined, with the release of sales figures for early October, showing the industry had fared much worse than expected, writes Martin Dickson in New York.

The trend was confirmed by a statement by Mr Lee Iacocca, the chairman of Chrysler, who said: "We're having a huge, severe auto recession." However, Mr Iacocca said that he thought the industry would rebound next year.

North American-made vehicles were provisionally estimated to have sold at a seasonally adjusted annual rate of 5.5m units in early October - far below analysts' expectations of 6.5m.

COMPANY NEWS IN BRIEF

GENENTECH, the biotechnology company, reported third-quarter net profit of \$13.5m, or 12 cents per share, on revenues of \$135m, against a net loss of \$133.7m, or a loss of \$1.45, last time. Revenues for the period were \$112.1m.

For the nine months, net profits were \$44.2m, or 39 cents, on revenues of \$396.4m. For the same period last year, Genentech suffered a net loss of \$115.2m, or \$1.32, on revenues of \$344.9m.

Merck, the pharmaceuticals group, posted third-quarter net income of \$552.4m, or \$1.43 per share, on sales of \$2.1bn. This was up from last year's net income of \$465m, or

\$1.19, with sales of \$1.9bn. For the first nine months of 1991, net income was \$1.6bn, or \$4.12, against \$1.2bn, or \$3.42 last year. Sales were \$5.3bn, up from \$5.6bn.

Baxter International, another leading pharmaceuticals company, announced third-quarter net income of \$156m, or 54 cents, on sales of \$2.2bn. This was ahead of last year's net income of \$135m, or 46 cents, on sales of \$2.2bn.

Net income for the first nine months of this year was \$407m, or \$1.39, on sales of \$6.5bn. Last year the group recorded a loss of \$128m, or \$0.74 per share, on sales of \$5.9bn.

Clorox, the largest US bleach

producer, reported a first-quarter net income of \$43.9m, or 51 cents, against \$39.4m, or 78 cents, last year. Sales for the period were \$417.6m, against \$408m.

Dun & Bradstreet, the leading business information group, announced third-quarter net income of \$142.4m, or \$0.80 per share, against \$139.7m, or \$0.77, last time. Operating revenue for the period slipped to \$1.1bn from \$1.2bn.

For the first nine months of 1991, net income was \$352.2m, or \$1.99, compared with \$378.0m, or \$2.04. Operating revenue for the nine months was \$3.4bn, against \$3.5bn.

Compiled by Rika Nickerson in New York

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General Electric ahead despite market softness

GENERAL Electric, the diversified US industrial and services group, edged ahead in third-quarter net earnings. Strong profits in financial services were partly offset by restructuring charges and lower income in sectors vulnerable to the recession, writes Martin Dickson in New York.

The company reported earnings of \$1.04bn, on revenues of \$14.6bn, compared with earnings of \$1.03bn on revenues of \$14.2bn in the same period of last year. Earnings per share rose 3 per cent, from \$1.16 to \$1.20, helped by a stock buy-back programme.

Mr Jack Welch, chairman, said the strength of the company's long-cycle businesses (those not so vulnerable to the economic cycle), company-wide productivity and the group's increasing global presence had helped soften the impact of the US recession.

The figures were also helped by a one-time \$110m gain by NBC, the television network, on the sale of its interest in the RCA Columbia video joint venture. However, NBC's advertising revenues dropped significantly because of soft markets and lower ratings.

GE said the gain on the sale was more than offset by restructuring charges.



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INTERNATIONAL COMPANIES AND FINANCE

Firmer prices lift Gengold 64%

By Philip Gawth in Johannesburg

A FIRMER gold price and lower retrenchment costs assisted the 11 gold mines in the Gengold group of South Africa to record a 64 per cent increase in after-tax profits to R25.3m (US\$30m) in the September quarter.

Ten of the 11 mines improved their performance at the operating level. Mr Gary Maude, managing director, said the good results were "not a flash in the pan" but "the result of a deliberate plan of rationalisation."

Gengold's labour force stood at 53,500 in August, down from 74,200 in August 1990, and 85,500 a year before that. The current results are improved by mines having completed retrenchment programmes which previously weighed heavily on profits. Mr Maude said the mines were stabilising at a reduced level of operation.

Gold produced in the group dropped to 17,829 tonnes from 18,213, but the average gold

price received was 4.4 per cent higher at R23.285 per kg, while working costs fell 1.3 per cent to R27.208 per kg gold produced. This figure is only 1.5 per cent higher than it was a year ago, despite an inflation rate running at about 15 per cent.

Mines which achieved large turnarounds in performance were Buffelsfontein, Stilfontein and Unisel. All benefited from a large reduction in retrenchment costs.

Buffelsfontein made an after-tax profit of R7.2m compared with a R2.7m loss last quarter. Stilfontein, which is on the path to closure, made R200,000 profit compared with a R5.2m loss last quarter. Unisel recorded a R3.7m profit after profits of only R290,000 last quarter.

Of the other large mines in the group, Beatrix, St Helena and Kinross all performed well. Winkelhaak also did well, with after-tax income rising to



Gary Maude: deliberate plan of rationalisation

R25.3m from R18.8m, but the mine passed its dividend because management believes it will, at the current gold price, only break even in the year ahead because it has a R79m capital expenditure programme.

The only mine to slip into a loss was West Rand Cons which made an after-tax loss of R1.4m compared with a R1.6m profit the previous quarter. The mine is battling to maintain its grade and Mr Maude said it might be closed.

The mining house, for the first time, published details of forward sales. Mr Maude said its hedging programme was "cautious" and it was not keen to sell more than 10 per cent of production forward.

Mr Maude reiterated his view that "unless you can get the fundamentals right, you just put off the difficult decisions, you don't solve them [by hedging]."

He would like to eliminate the practice, but acknowledges that Gengold is too small to ignore what other mining houses do. There is considerable division of opinion among South African producers about the merits of hedging.

NEWS IN BRIEF

Tin slump sends MMC down 27%

MALAYSIA Mining Corporation (MMC), the country's largest tin group, has reported a 27 per cent fall in pre-tax profits to M\$25m (US\$9.47m) for the six months to end-June, from a year earlier, writes Lim Siong Hoon in Kuala Lumpur.

The fall reflects the continuing slump in the world tin market and a lower contribution from Ashtom, its gold mining company in Australia. MMC expects results to improve on the second half.

Group turnover fell 12 per cent to M\$275m from M\$315m, but operating profit rose 48 per cent to M\$7m.

Chigin-Seiho Housing Loan, a Japanese mortgage company, is preparing a restructuring plan in which it will ask creditors to help bail it out of debt of Y1,300bn (US\$10bn), Reuter reports from Tokyo.

The shares, capitalised at Y2.62bn, are held by 64 regional banks and 25 life insurance groups. The plan is reported to include halving debt in five years and asking leading shareholders for low interest financing and reduction or exemption of interest on their loans to it.

Minolta Camera of Japan expects a Y2bn pre-tax parent company loss in the six months to September 31, against a May forecast for flat profits and actual profit of Y4.08bn a year earlier, Reuter reports from Tokyo.

It expects weaker camera demand at home and abroad, lower camera sales caused by slow start-up of new products and increased costs tied to sales, personnel and product development. A dividend of Y8.60 will be retained in 1991-92.

Mazda Motor, the Japanese car group, will not make a final commitment on whether to buy a stake in South African Motor Corp (Samcor) until the US and the internationally better-known Godiva chocolates and V-8 vegetable juices.

However, in the US, volume sales of soup - roughly a quarter of Campbell's sales, but almost half its profits - have been static for years, while

Johnson puts Campbell Soup recovery in the can

Guy de Jonquières examines the turnaround

Mr David Johnson, president of Campbell Soup, strides through the ornate Victorian City offices of stockbrokers Cazenove. As he enters a meeting room, his eye is caught by a book on the improbable subject of mammals.

"What the heck," he exclaims, "is something like that doing in a stuffy joint like this?"

Stunt speaking and impatience with frills are two of the Australian-born Mr Johnson's hallmarks. Combined with driving energy and attention to the bottom-line, they have provided the ingredients for one of the fastest corporate turnarounds in recent US history.

When Mr Johnson was hired in January last year, the 100-year-old Campbell faced an uncertain future. Its performance had been faltering for several years, while rumours abounded that the founding Dorrance family wanted to sell its 88 per cent holding.

The deterioration accelerated in 1989, when net earnings, after restructuring charges, fell to \$13.1m from \$27.4m the previous year. In 1990, they slid further to \$4.4m.

But in its latest financial year, ended July 23, Campbell enjoyed a triumphant revival, reporting record net earnings of \$401.5m.

Mr Johnson's approach was brutally simple. He launched an all-out attack on Campbell's costs, closing 50 plants, eliminating 10,000 jobs, chopping unprofitable product lines and selling several subsidiaries.

But while Wall Street applauded the results of Mr Johnson's axe-wielding, it is now asking whether he has the right recipe for rebuilding sustained growth in the company's sales, which stagnated at about \$5.2bn last year.

Campbell has a stable of well-established brands, including Pepperidge Farm cookies, Swanson frozen meals and Prego spaghetti sauce in the US and the internationally better-known Godiva chocolates and V-8 vegetable juices.

However, in the US, volume sales of soup - roughly a quarter of Campbell's sales, but almost half its profits - have been static for years, while

CAMPBELL SOUP: YEARS ENDED JULY (US\$)				
	Net sales	Earnings pre-tax	Net earnings	Net earnings as % of sales
1987	4.48bn	417.9m	247.9m	5.5
1988	4.87bn	388.6m	274.1m	5.6
1989	5.67bn	106.5m	15.1m	0.2
1990	6.21bn	179.4m	4.4m	0.1
1991	6.2bn	567.4m	401.5m	6.5

* Includes restructuring charges. ** Includes divestiture and restructuring charges

BREAKDOWN OF RESULTS 1991 YEAR (US\$)			
	US	Europe	Other
Sales	4.5bn	1.75bn	656m
Earnings before tax	694.8m	48.8m	55m

competition in frozen foods is increasingly fierce. Mr Johnson says the next phase of Campbell's development will focus squarely on North America and western Europe, which account for most of the company's sales.

The strategy hinges on maintaining improved results in the US. However, Campbell must contend with generally flat US retail food sales which, in soups, have led it to seek much of its recent profit growth from regular price rises.

Industry analysts believe it will be hard to raise prices by more than inflation, without losing sales. Critics accuse Mr Johnson of crimping Campbell's growth by being too tight-fisted. He replies a 30 per cent rise in advertising spending is planned this year, after last year's freeze, while capital investment of \$400m is budgeted.

As evidence of marketing success, he points to a cream of broccoli soup launched a year ago which is now the fifth most popular soup in the US.

While sales of ramen noodle dry soups, introduced three years ago, are growing by 18 per cent annually, longer term, Mr Johnson is pinning hopes for faster growth on the proposed North American free trade area which, he believes, will substantially boost output at Campbell's US plants. In preparation, the company has taken full control of its Canadian subsidiary and is starting to test-market Pepperidge Farm lines in Canada and Mexico.

Cross-border expansion is

also a high priority in Europe. But there, Campbell starts from a far weaker position. Though it operates in six European countries with annual sales of about \$1bn, few products are leaders even in their home markets.

Campbell's immediate pan-European ambitions ride on Biscuits Delacre, a specialist Belgian biscuit subsidiary. Delacre packaging has been standardised throughout Europe and a single advertising campaign launched in five countries.

Meanwhile, Mr Johnson is seeking to replace the high-handed attitude traditionally taken by Campbell's US organisation towards the European subsidiaries with more constructive transatlantic co-operation. Teams of executives are being sent to Europe from the US to assist local managers. One of the first results is the re-launch of Campbell's condensed soups range in the UK.

But Mr Johnson recognises that other steps will be needed to ensure profitable expansion. He says acquisitions are on the agenda. Here, too, his talents remain to be proven. Campbell's recent European acquisition record has been patchy.

Whether Mr Johnson can do better will be watched closely not just from Wall Street, but by the Dorrance family. He says acquisitions are on the agenda. Here, too, his talents remain to be proven. Campbell's recent European acquisition record has been patchy.

Whether Mr Johnson can do better will be watched closely not just from Wall Street, but by the Dorrance family. He says acquisitions are on the agenda. Here, too, his talents remain to be proven. Campbell's recent European acquisition record has been patchy.

But as long as strong results are delivered, the chances of dissent are not very high.

Tourang faces open resistance

By Emilia Tagaza in Canberra

THE Tourang consortium, the front runner in the bidding for the Fairfax newspaper group, was confronted yesterday with open resistance from Australian statesmen, former politicians and journalists.

A group including two former prime ministers and former leaders of political parties has called on the Labor government not to allow the Fairfax sale to lead to further concentration of media ownership.

The group includes past political arch rivals Mr Gough Whitlam, former Labor prime minister, and Mr Malcolm Fraser, former Liberal prime minister. In a letter published in Fairfax newspapers, it said Australia must not be left with two dominant media groups.

Fairfax journalists demonstrated outside the Melbourne headquarters of ANZ bank, the group's main creditor.

Mr Kerry Packer, who leads Tourang with the Canadian publisher, Mr Conrad Black, owns 19 per cent of the Australian print media.

Safra Republic rises to \$21.4m

By William Dullforce in Geneva

SAFRA Republic Holdings, the parent company for the European private banking group headed by Mr Edmond Safra, yesterday disclosed net earnings of \$21.4m for the third quarter, up from \$18.2m in the corresponding period of last year.

During the first nine months the group has recorded an 18 per cent increase to \$61.9m in net income, or \$3.48 per share, compared with \$2.94 in the previous year.

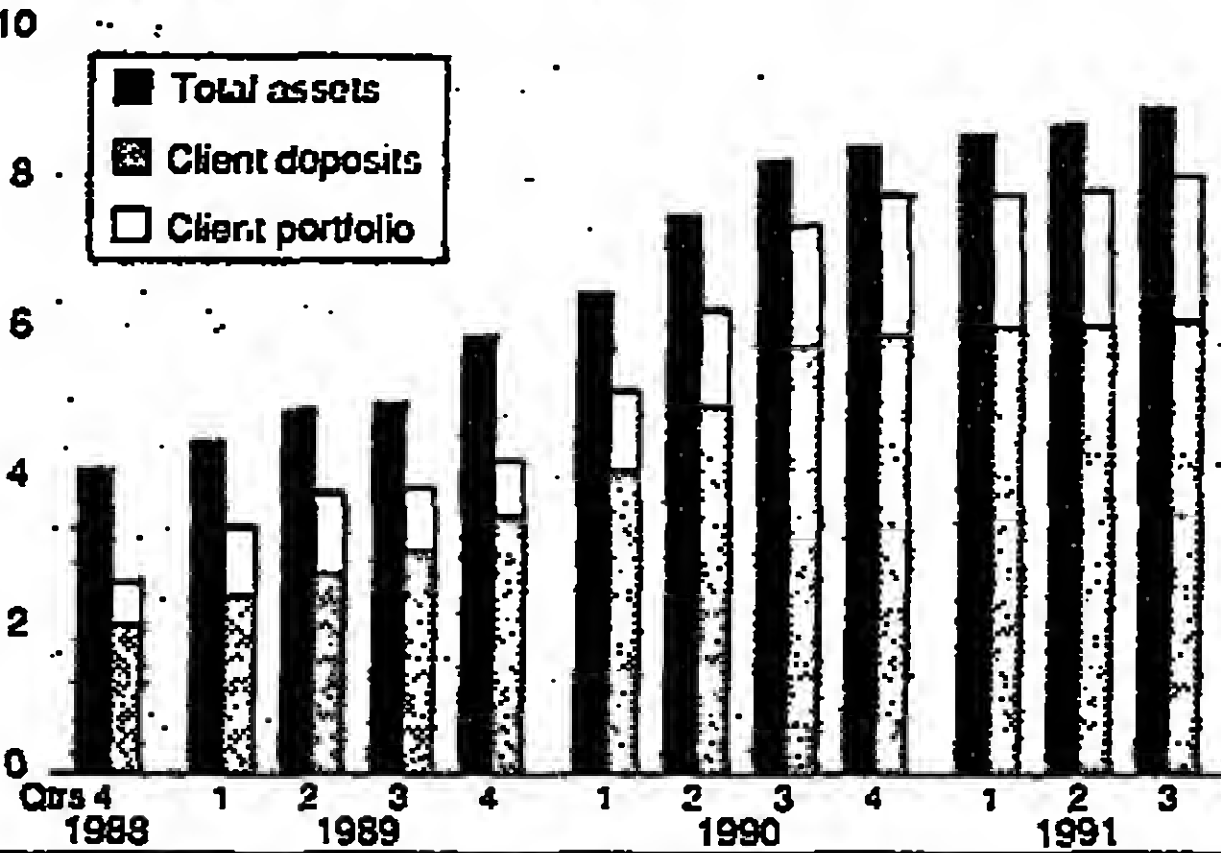
In 1990, Safra Republic posted a net profit of \$71.5m or \$4.01 per share and paid an unchanged dividend of \$2 per share. The group operates five banks under the Republic National name in Geneva, Luxembourg, France, Guernsey and Gibraltar.

At the end of September, clients' deposits and portfolio assets totalled \$7.9bn, showing an increase of 13 per cent over the previous 12 months. Of this total, \$1.9bn was in off-balance sheet portfolios held in safe-keeping.

The increase in client accounts during the third quarter amounted to \$441m, of which about \$250m went into off-balance sheet portfolios. Consolidated assets at Sep-

Safra Republic Holdings

Total assets & client accounts (US\$bn)



tember 30 totalled \$8.8bn, up by 10.8 per cent over the previous 12 months. Shareholders' equity at \$1.06bn equalled 12 per cent of total assets.

The group's money market business is reflected on the liabilities side in bank deposits of \$3.48m and short-term borrowings of \$645m, up from \$240m at the end of September 1990.

On the assets side, deposits with banks totalled \$3.5bn and investment securities \$3.8bn. Net interest income grew by \$17.9m to \$109m, against the first nine months of 1990. Provisions for loans losses increased by \$3m during the third quarter to reach \$15m.

Safra Republic said its allowance for possible loan losses amounted to 1 per cent of total loans and its banks had no exposure to developing countries.

FT FINANCIAL TIMES CONFERENCES

WORLD MOBILE COMMUNICATIONS

LONDON
31 October & 1 November, 1991

The Financial Times '91 conference on mobile communications will examine the market, technological and regulatory issues. Should competition be allowed in mobile communications? What is the best way of allocating the scarce radio spectrum? Will new mobile networks come to challenge the fixed network or follow Sweden's plans to turn its fixed network into a mobile one? These questions will be examined by an international panel of speakers including:

Mr John Redwood MP
Minister of State for Corporate Affairs

Mr Chris Gent
Racal-Vodafone Limited

Mr Richard J Callahan
US WEST, Inc

Mr Peter Mihatsch
Mannesmann Mobilfunk GmbH

Mr Colin Buckingham
Ericsson Business Mobile Networks

Mr David K Bartram
Motorola

M. Jean-Louis Blanc
Commission of the European Communities

Mr J Shelby Bryan
Millicom Incorporated

Mr Nobusuke Kanda
DDI Corporation

Mr Richard Goswell
Mercury Personal Communications Network Limited

Mr Robert Calafell
GTE Airfone Inc

Mr Bob Phillips
INMARSAT

A FINANCIAL TIMES CONFERENCE
in association with
FinTech - MOBILE COMMUNICATIONS

WORLD MOBILE COMMUNICATIONS

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FT A FINANCIAL TIMES INTERNATIONAL CONFERENCE

Financial Times Conference Organization
128 Jermyn Street, London SW1Y 4JJ
Tel: 071-925 2323. Tlx: 27347 FTCONF G. Fax: 071-925 2125

Name _____

Position _____ Dept. _____

Company/Organisation _____

Address _____

Post Code _____

Tel _____ Tlx _____ Fax _____

Type of Business _____ HA

SEB

CALOR. ROWENTA. SEB. TEFAL

NINE MONTH CONSOLIDATED SALES

(FFr millions)	1991	1991/1990	12 sliding months
France	1,842	+ 3 %	+ 3 %
Germany	815	+ 8 %	+ 15 %
Other European countries	1,776	+ 13 %	+ 16 %
Outside Europe	936	+ 10 %	+ 6 %
Total	5,429	+ 8 %	+ 9 %

To obtain a copy of the interim report:
Group SEB, Service Client Communication
B.P. 172 - 69132 ECLIPSE - FRANCE - (33) 72.20.16.40
(Please indicate French or English version)

U.S. \$75,000,000
The Bank of New York Overseas Finance N.V.
(Incorporated with limited liability in the Netherlands Antilles)
Guaranteed Floating Rate Subordinated Notes due January 1996
Unconditionally Guaranteed, on a Subordinated Basis, as to Payment of Principal and Interest by
The Bank of New York Company, Inc.
(Incorporated in New York, USA)
Notice is hereby given that the Rate of Interest has been fixed at 5.5% p.a. and that the interest payable on the relevant Interest Payment Date, January 17, 1992, against Coupon No. 32 in respect of U.S. \$10,000 nominal of the Notes will be U.S. \$140.56.
October 17, 1991, London
By: Citibank, N.A. (CSSI Dept.), Reference Agent **CITIBANK**

US\$200,000,000 Guaranteed Floating Rate Notes
Repayable at the Option of the Holder at par Commencing October 1992
Citicorp Overseas Finance Corporation N.V.
(Incorporated with limited liability in the Netherlands Antilles)
Unconditionally guaranteed by
CITICORP
Notice is hereby given that the Rate of Interest has been fixed at 5.125% and that the interest payable on the relevant Interest Payment Date, January 17, 1992, against Coupon No. 47 in respect of US\$10,000 nominal of the Notes will be US\$135.76.
October 17, 1991, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

MANAGING FOR RECOVERY
The FT proposes to publish this survey on November 14th 1991
With signs that the UK recession is coming to an end and that economic recovery is on its way The Financial Times will take an in-depth look at the problems that this will create and the areas which will require special attention to ensure a company's survival. If you want to reach the estimated 1 million readers in 160 countries worldwide who will read this survey, please contact Sara Mason on 071 873 3349 or Fax 071 873 3064
FT SURVEYS

THORN EMI Capital N.V.
(Incorporated in the Netherlands Antilles with limited liability)

5 1/4 per cent. Guaranteed Redeemable Convertible Preference Shares 2004 in THORN EMI Capital N.V. ("the RCPS")

Further to having sought and received, in accordance with the Terms of Issue of the RCPS, an opinion from S. G. Warburg Securities that the amendments below to the existing Terms of Issue of the RCPS was not materially prejudicial to the interests of the holders of the RCPS, the Board of Managing Directors of THORN EMI Capital N.V. by a written resolution duly passed on 14th October 1991 in accordance with the Articles of Incorporation resolved that:

"The Terms of Issue of the 5 1/4 per cent. Guaranteed Redeemable Convertible Preference Shares 2004 issued by the Company be and they are hereby amended by the insertion immediately following paragraph 7(c) of the RCPS of the following paragraph (which consequential renumbering of the remainder of paragraph 7):

(d) Redemption on Liquidation or Dissolution of Issuer
If an order is made by any competent court or other authority or an effective resolution is passed or other equivalent action taken for dissolving or winding up, or an administration order made in relation to, the Issuer, including an order being made declaring the Issuer to be bankrupt (within the meaning of the Statute of the Netherlands Antilles) or the Issuer applies for a court order for liquidation (within the meaning of the said Statute) in all cases otherwise than for the purposes of an amalgamation, reconstruction, merger, or other similar arrangement the terms of which have previously been approved by an Ordinary Resolution, all Preference Shares shall be redeemed on the date of such order, resolution or application (without any action being required on the part of either the Issuer or the holders) at such price as would have been payable had they been redeemed by the giving of a notice requiring redemption upon such date pursuant to paragraph 7(b) (a)."

Dated 16th October 1991
Required Officer
Chairman of the Board
C. van der Wal
Netherlands Antilles

BY ORDER OF THE BOARD OF DIRECTORS
A. Brouwer

U.S. \$100,000,000
B.B.L. International N.V.
Floating Rate Notes Due 1999
Guaranteed on a Subordinated Basis as to payment of principal and interest by
BBL
Banque Bruxelles Lambert S.A./
Bank Brussel Lambert N.V.

Interest Rate	5 1/2% per annum
Interest Period	17th October 1991 21st April 1992
Interest Amount per U.S. \$5,000 Note due 21st April 1992	U.S. \$142.85

Credit Suisse First Boston Limited
Agent

THIS NOTICE TO BONDHOLDERS IS IMPORTANT. IF BONDHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE THEY SHOULD CONSULT THEIR STOCKBROKER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

SUNBELT ENTERPRISES

(the "Issuer")
U.S.\$ 100,000,000 High Yield Fixed Rate Convertible Bonds (the "Bonds")
unconditionally and irrevocably guaranteed by
CEMEX, S.A.
(the "Guarantor")

Additional Conversion and Redemption Right

This notice is being given by the issuer to the holders of the Bonds in accordance with Condition 30 of the Bonds. Pursuant to a Deed Poll dated 14th October, 1991 executed by the issuer and the Guarantor in favour of each and every Bondholder, an Additional Conversion and Redemption Right has been conferred upon Bondholders. Such Additional Conversion and Redemption Right is in addition to and does not affect the existing rights of the holders of the Bonds to give a Conversion and Redemption Notice in accordance with Condition 10 of the Terms and Conditions of the Bonds.

The following is a summary of the Deed Poll and is subject to the detailed provisions thereof. Copies of the Deed Poll are available for inspection at the specified offices of the Paying Agents. Bondholders are entitled to the benefit of and are bound by and are deemed to have notice of all the provisions of the Deed Poll.

Terms of the Additional Conversion and Redemption Right

The holder of any Bond shall have the right, subject to any applicable fiscal or other laws or regulations, at any time during the period commencing on and including 21st October, 1991 and ending on the close of business on 25th October, 1991 to give a Conversion and Redemption Notice (an "Additional Conversion and Redemption Notice") to convert a proportion of the principal amount of such Bond (the "Principal Conversion Amount") into ADSs evidenced by ADRs and a proportion of the Exchange Property. For each Bond the subject of an Additional Conversion and Redemption Notice the Principal Conversion Amount shall be the product of 821 times the Conversion Price (that is 821 ADSs for each \$50,000 Bond). The Conversion Price will therefore affect the amount of the redeemable portion of the Bond but not the number of ADSs received upon conversion.

The Conversion Price shall be:

(i) U.S.\$4.5068 if the Additional Conversion and Redemption Notice is delivered during the period commencing on and including 21st October, 1991 and ending on the close of business on 23rd October, 1991 (the "First Conversion Period");

(ii) U.S.\$4.4583 if the Additional Conversion and Redemption Notice is delivered before the close of business on 24th October, 1991 (the "Second Conversion Period");

(iii) U.S.\$4.4581 if the Additional Conversion and Redemption Notice is delivered before the close of business on 25th October, 1991 (the "Third Conversion Period").

The entitlement of each holder of a Bond who exercises the Additional Conversion and Redemption Right as regards the number of ADSs and the proportion of the Exchange Property shall be determined in accordance with the Terms and Conditions as if the Additional Conversion and Redemption Right were part of the Conversion and Redemption Right.

As a matter of reference the average in U.S. Dollars of the official closing prices as recorded by the Mexican Stock Exchange for the 5 trading days ending on 14th October, 1991 of a Share of TOLMEX Series B (Variable Capital) was U.S.\$5.44. For the purpose of the above calculation each official closing price was converted into U.S. Dollars at the Banco Nacional de Mexico mid point between the bid and offer prices of the free rate of exchange of U.S. Dollars for Mexican Pesos as recorded by such bank at the close of business in Mexico City on each such trading day. One ADS represents 10 shares of TOLMEX Series B (Variable Capital).

Limitation of Right to Exercise

In order to encourage early conversions:

(i) an Additional Conversion and Redemption Notice received on the Second Conversion Date shall only be effective if valid Additional Conversion and Redemption Notices have been received during the First Conversion Period in respect of 1,700 Bonds (being U.S.\$85,000,000 in aggregate principal amount of the Bonds) or more; and

(ii) an Additional Conversion and Redemption Notice received on the Third Conversion Date shall only be effective if valid Additional Conversion and Redemption Notices had not already been received during the First Conversion Period and on the Second Conversion Date (taken together) in respect of 1,500 Bonds (being U.S.\$75,000,000 in aggregate principal amount of the Bonds) or more.

Notwithstanding the foregoing two paragraphs, the issuer and the Guarantor reserve the right, in their sole discretion to waive either of the foregoing limitations on the right to exercise the Additional Conversion and Redemption Right and to accept on each of the Second Conversion Date and the Third Conversion Date, all or a portion of the Bonds in respect of which valid Additional Conversion and Redemption Notices shall have been received on such respective dates.

Portion Redeemable in Cash

The provisions of Condition 10(g)(iii) of the Terms and Conditions shall not apply to any Bond in respect of which an Additional Conversion and Redemption Notice has been given and the redeemable portion of the principal amount of such Bond (being the principal amount of the Bond less the Principal Conversion Amount) shall be paid in cash (together with all interest accrued thereon up to the date of redemption) on 1st November, 1991. The attention of Bondholders is drawn to Condition 10(h) which provides that interest ceases to accrue on the Principal Conversion Amount on the Interest Payment Date preceding the Conversion Date.

How to Exercise

The Additional Conversion and Redemption Right attaching to any Bond shall be exercised by the Bondholder delivering the Bond at the specified office of any Paying and Conversion Agent accompanied by a duly signed and completed Additional Conversion and Redemption Notice specifying the serial numbers of the Bond(s) the subject of the exercise of the Additional Conversion and Redemption Right. The Paying and Conversion Agent shall be entitled to treat an Additional Conversion and Redemption Notice as valid notwithstanding that it shall not be accompanied by the relevant Bond provided that such Bond is delivered to such office not later than the close of business on 30th October, 1991. Forms of the Additional Conversion and Redemption Notice may be obtained from the specified office of any such Agent or from Euroclear or CEDEL. A valid Additional Conversion and Redemption Notice once given shall be irrevocable.

The Conversion Date

The Conversion Date in respect of any Bond the subject of an Additional Conversion and Redemption Notice shall be the first business day (being a day on which banks are open for business in New York City, the Cayman Islands, London and in the place where the specified office of the relevant Paying and Conversion Agent is located) after the date on which the Bond and the duly signed and completed Additional Conversion and Redemption Notice shall have been delivered to the specified office of any Paying and Conversion Agent (and accepted by the relevant Agent) and all (if any) payments required by Condition 10(g)(iv) of the Terms and Conditions to be made by the Bondholder shall have been made.

Further Information

Bondholders should note that, except following the occurrence and continuance of an Event of Default or the giving by CEMEX of a notice of purchase of Bonds for redemption (in each case as defined in the Terms and Conditions), the earliest date upon which their Bonds may be converted is 14th June, 1993. Condition 10 sets out the Conversion Prices and the Principal Conversion Percentages applicable to conversions of the Bonds otherwise than pursuant to the Additional Conversion and Redemption Right now being granted. The Conversion Price and Principal Conversion Percentage applicable to a Conversion Date occurring on 14th June, 1993 is U.S.\$4.7200 and 63.057 per cent respectively, entitling a Bondholder to receive 821 ADSs in respect of each Bond converted and the balance of the principal amount of the Bond in cash.

Bondholders should note that, in accordance with the Terms and Conditions:

(i) a Conversion and Redemption Notice may not be given on or after 14th June, 1993 in respect of any Bond the subject of an exercise by CEMEX of its Bond Call Option; (provided, however,

(ii) Bondholders are entitled to convert any Bond on 14th June, 1993 by delivering a Conversion and Redemption Notice (accompanied by the relevant Bond) during the period commencing 30 days prior to, and ending on (but excluding) such date notwithstanding the exercise by CEMEX of its Bond Call Option in respect of such Bond.

The ADSs evidenced by the ADRs held by the ADR Trust under the Trust Deed are sufficient to satisfy conversions of Bonds and exchanges of Certificates both on the basis of the Conversion Prices applicable to the Additional Conversion and Redemption Right (specified above) and on the basis of the initial Conversion Prices and Exchange Prices applicable to conversions of Bonds and exchanges of Certificates pursuant to the Terms and Conditions. This is because more ADSs than were necessary for the purpose of satisfying conversions of Bonds and exchanges of Certificates (on the basis of the initial Conversion Prices and Exchange Prices) were settled on the ADR Trust at the time of the issue of the Bonds. After settling said 73 ADSs to meet exchanges of Certificates already issued there are presently 821 ADSs per Bond held by the ADR Trust.

Fiscal, Principal Paying and Conversion Agent
CITIBANK, N.A., 308 Broad Street, New York, NY 10014
Paying and Conversion Agent
CITICORP INVESTMENT BANK (LUXEMBOURG) S.A., 18 Avenue Marie-Thérèse, L-2322 Luxembourg

SUNBELT ENTERPRISES
CEMEX, S.A.
18th October, 1991

GREECE FUND LIMITED

NOTICE TO GREECE FUND LIMITED IDR HOLDERS

At the request of certain institutional investors a special resolution has been placed on the agenda of the Fund's annual general meeting of shareholders called for November 14, 1991.

This resolution has been prompted by the absence of any secondary market for the Fund's IDRs at prices approximating the Fund's net asset value. IDR holders have thus found themselves locked into their investments with no real prospect of selling their positions, except at substantial discounts to net asset value. The Board of Directors of the Fund is fully aware of the problem, but has failed to respond affirmatively to any of a number of proposed solutions.

The resolution instructs the Board of Directors of the Fund to explore ways to enable investors to sell their holdings in the Fund for a price at or near the Fund's net asset value. The Board is further instructed to submit proposed solutions to the shareholders within ninety (90) days from the date of the shareholders' meeting.

Holders of the Fund's IDRs who wish to obtain additional information on this shareholder-proposed resolution can receive a copy of the proposed text and information regarding voting procedures from:

James J. Lightburn, Esq.
Jones, Day, Reavis & Pogue
62, rue du Faubourg St. Honoré
75008 Paris
Tel: 331 49.24.09.09
Fax: 331 49.24.04.71

State Bank of Victoria

(a business name of the Commonwealth Bank of Australia)
(formerly the Commissioners of the State Bank of Victoria)

U.S. \$125,000,000 Guaranteed Undated Capital Notes

For the six months 17th October, 1991 to 21st April, 1992 the Notes will carry an interest rate of 5 1/2% per annum with an interest amount of U.S. \$285.69 per U.S. \$100,000 Note and U.S. \$7,142.36 per U.S. \$250,000 Note. The relevant interest payment date will be 21st April, 1992.

Listed on the London Stock Exchange

Bankers Trust
Company, London
Agent Bank

U.S. \$300,000,000

Province of Québec

Floating Rate Notes Due 2001

Interest Rate 5 1/2% per annum

Interest Period 17th October 1991 to 21st April 1992

Amortisation Date 21st April 1992

per U.S. \$100,000 Note U.S. \$ 275.55

per U.S. \$250,000 Note U.S. \$ 688.87

Credit Suisse Prime Montreal Limited Agent

Wells Fargo & Company

US\$100,000,000
Floating rate subordinated
notes due July 1997

In accordance with the provisions of the notes, notice is hereby given that for the Interest Period 17 October, 1991 to 17 January, 1992 the notes will carry an interest rate of 5 1/2% per annum. Interest payable on the relevant interest payment date 17 January, 1992 will amount to US\$145.33 per US\$100,000 note and US\$726.74 per US\$500,000 note.

Agent: Morgan Guaranty
Trust Company

JPMorgan

HMC Mortgage

Notes 3 PLC

£150,000,000

Class A

£11,500,000

Class B

Mortgage Backed Floating Rate

Notes Due July 2015

For the interest period 15th October, 1991 to 15th January, 1992 the Class A

Notes will bear interest at 10.80938%

per annum. Interest payable on 15th

January, 1992 will amount to £2,717.11

per £100,000 Note.

The Class B Notes will bear interest at

11.73438% per annum. Interest

payable on 15th January, 1992 will

amount to £339,206.54 per £11,500,000

principal amount.

Agent: Morgan Guaranty

Trust Company

JPMorgan

BRADFORD & BINGLEY

£200,000,000

Floating rate notes

due 1999

Notice is hereby given that the

notes will bear interest at

10.52605% per annum from 15

October, 1991 to 15 January,

1992. Interest payable on 15

January, 1992 will amount to

£264.59 per £100,000 note.

Agent: Morgan Guaranty

Trust Company

JPMorgan

CORRECTION NOTICE

MAES Funding

No. 1 PLC

£200,000,000

Mortgage Backed

Floating Rate Notes due 2018

Notice is hereby given that the

Rate of Interest has been

fixed at 10.6375 % for the

interest period 8th October,

1991 to 8th January, 1992.

The interest amount payable

on 8th January, 1992 will be

£2,673.91 in respect of each

£100,000 denomination.

Agent Bank

8th October, 1991

MELLON BANK CORPORATION

US\$ 200,000,000

Floating Rate Notes Due 1994

Notice is hereby given that for the interest

period from 27 October 1991 to 27 January

1992 the notes will carry an interest rate

of 6.6375% per annum.

Agent Bank

8th October, 1991

CHEMICAL BANK

Agent Bank

Credit Suisse Prime Montreal Limited Agent

INTERNATIONAL CAPITAL MARKETS

Treasuries dip as traders await move on Fed funds

By Patrick Harverson in New York and Sara Webb in London

US BOND prices eased slightly yesterday morning in light trading as the market awaited an easing of monetary conditions by the Federal Reserve.

By midday the benchmark 30-year government bond was down at 102 1/2, yielding 7.889 per cent. The two-year note was also easier, down at 100 1/2, to carry a yield of 5.831 per cent.

The market expected the Fed to ease after last week's producer prices showed no threat to the economy from inflation, but no move was made. Now the consensus among Fed watchers is that the policy makers have decided to wait for the consumer prices and industrial production figures to be released today before acting to stimulate economic activity.

The Fed's easing, when it finally happens, is likely to come in the form of a reduction in the Fed funds rate. The rate has been unusually firm

GOVERNMENT BONDS

in the last two days due to technical factors, and yesterday was trading at 6 1/2 per cent, well above the Fed's target of 5 1/2 per cent.

A Fed ease would be signalled by aggressive intervention to force the rate down to a fresh target, probably of 5 per cent.

WORSER-than-expected Public Sector Borrowing Requirement figures released yesterday depressed UK government bond prices, particularly those of long-dated gilts.

The PSBR rose to £2.9bn (\$4.5bn) in September against expectations of £1.8bn. The London International Financial Futures Exchange gilt futures contract fell from its opening of 94.31 to trade at around 94.24 by late afternoon.

the long-term ratings of the Industrial Bank of Japan (from AA- to A-), the Long-Term Credit Bank of Japan (from AA- to A-), and Nippon Credit Bank (from AA- to A-).

The short-term rating of all three banks is A1+.

IBCA attributed the down-

grade to asset quality problems as a result of stock and property market weakness, saying "their operating profitability is currently very weak."

However, IBCA also pointed to the banks' "past hidden reserves" totalling \$45bn as of March 81.

IBCA, the London-based credit rating agency, lowered

the long-term ratings of the Industrial Bank of Japan (from AA- to A-), the Long-Term Credit Bank of Japan (from AA- to A-), and Nippon Credit Bank (from AA- to A-).

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BENCHMARK GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS							
	Coupon	Red Date	Price	Change	Yield	Week Change	Month Change
AUSTRALIA	12.000	11/01	112.514	-0.343	9.59	10.07	0.08
BELGIUM	9.000	05/01	99.8500	-0.180	9.04	9.04	0.00
CANADA *	8.750	02/01	104.5000	-0.050	9.26	9.04	0.00
DENMARK	9.000	11/00	100.6750	+0.175	8.93	8.93	0.00
FRANCE	8.500	11/99	98.5703	+0.638	9.25	9.04	0.00
GERMANY	9.500	01/01	104.7200	-0.120	8.72	8.84	0.04
ITALY	8.750	09/01	108.1400	-0.060	8.36	8.28	0.08
NETHERLANDS	12.500	03/01	100.7500	+0.100	12.74	12.69	0.05
JAPAN	4.800	05/99	92.4700	+0.048	6.25	6.30	0.07
UK	8.400	03/00	102.7880	+0.173	5.81	5.97	0.16
NETHERLANDS	6.500	03/01	96.8600	+0.050	8.70	8.70	0.00
SPAIN	11.500	07/96	101.2900	+0.160	11.45	11.56	0.11
UK GILTS	10.000	10/96	105.28	-1.32	8.78	8.74	0.04
	10.000	10/01	105.13	-0.73	9.73	9.73	0.00
	9.000	10/06	05-13	-4.32	9.53	9.51	0.02
US TREASURY *	7.875	08/01	100-00	-	7.44	7.43	0.01
	8.125	09/21	100-28	-7.32	7.86	7.83	0.03

UK COMPANY NEWS

Grampian Hldgs raises Macarthy offer to £79m

By Jane Fuller

GRAMPIAN Holdings, the Scottish mini-conglomerate, has increased its offer for Macarthy, the retailer and drugs manufacturer, to £79m.

Its all-paper bid comes after rival offers from Lloyds Chemicals and UniChem, the drugs wholesaler, were stalled by references to the Monopolies and Mergers Commission.

Macarthy not only rejected Grampian's new offer, but also expressed reservations about the bidder's financial performance and management, accusing it of distorting its reported profits and questioning the value of its shares. It is understood that Schroders, Macarthy's financial adviser, plans to elaborate on these themes in a defence document.

Grampian, which pointed out that its accounts had won awards, said it had passed Macarthy's statement to its lawyers to examine for possible libel.

The Scottish group also announced yesterday an 8 per cent increase in interim pre-tax profit to £4.12m on sales of £68.3m (£67.3m).

Its offer of 147 shares for every 100 of Macarthy's values the target's shares at 28p (up from 26p), compares with yesterday's close of 27p. At its peak, Lloyds' mostly paper bid was worth 30p a share, although Lloyds' share price has reached a higher level in

the past couple of days following the announcement of a 53 per cent profit increase.

But neither Lloyds nor UniChem can bid again until after the MMC investigation concludes in mid-January.

Mr Bill Hughes, Grampian's chairman, stressed the scope for margin improvement at Macarthy, where he said annual savings of £3.5m could be made. The acquisition would enhance earnings in 1992.

He admitted that Grampian would not have the same immediate benefits from acquiring the Savory & Moore retail chain as Lloyds, but pointed to other parts of Macarthy's business - notably drug manufacture and veterinary products - which could be integrated with his own.

Mr David McGibbon, Grampian finance director, said that assuming Macarthy had £15m-£20m debt, the enlarged group's year-end gearing would be just over 50 per cent compared with 44 per cent for Grampian last December.

The interim pre-tax-profit breakdown was: pharmaceuticals £3.03m (£2.25m); retail, a seasonal loss of £709,000 (£224,000); sports goods £1.35m (£1.26m); transport £223,000 (£1.25m).

Earnings per share rose to 4.34p (4p). The interim dividend goes up to 1.7p (1.5p).



Bill Hughes: Macarthy's drug manufacture and veterinary products could easily be integrated

COMMENT

While Macarthy has taken its gloves off in trying to repel Grampian, shareholders have a fine decision to make. While the Lloyds' offer was a better one, in terms of value, a cash element and retail synergy (and UniChem is better in terms of cash), it will be three months before either can launch a new bid. The worry is that if the government could

cause surprise by referring the bids, particularly Lloyds', the outcome of the MMC's deliberations could be equally surprising. Comparing Lloyds' and Grampian's paper, the former looks to be on a less demanding p/e ratio at 11.2 to June 1992 compared with Grampian at just over 12 to December 1992. But neither looks expensive, bearing in mind their records and the good opinions of their managements.

Invergordon reiterates rejection of W&M offer

By Philip Rawstone

INVERGORDON Distillers, the Scotch whisky group, yesterday accused Whyte & Mackay of "scaremongering" to further its £250m bid for the company.

W&M, the UK drinks subsidiary of American Brands, the US tobacco group, yesterday acquired another 11,07m Invergordon shares to bring its total holding to 31.4 per cent.

In a letter urging shareholders to reject the offer, Mr James Millar, Invergordon's chairman, said that W&M had presented "a misleading picture of Invergordon's business and prospects."

It sought to diminish Invergordon's record and projected a gloomy future for the group and the industry. "There is an obvious contradiction in W&M increasing its bid for a company it holds in such low regard," Mr Millar added.

"Invergordon's directors and shareholders have demonstrated their faith in the company's future by rejecting the £19.4m on offer for their 5.5 per cent stake," he said.

Mr Millar dismissed W&M's "clear implication that Invergordon's 1991 profit forecast (an increase of 41 per cent to £52m) may have been manipulated" as a defence against the bid. The figures had been calculated on the same conservative basis as previously published results.

W&M's suggestion of a substantial fall in Invergordon's share price if the bid failed was "simply scaremongering," Mr Millar added.

"I cannot tell shareholders where the share price will settle if the bid fails but I know that our forecasts, together with a better understanding of our business by the stock market, have brought about a substantial re-rating of the shares."

Mr Millar disclosed that Invergordon had reached agreement with Camus, the French cognac producer, and other independent distillers on a trading alliance to promote sales in east European markets. Further similar ventures and opportunities for friendly acquisitions would be pursued, he said.

Shareholders' investments in Invergordon as an independent company were worth more than the £75m per share offered, he insisted.

Mr Michael Lunn, W&M's chairman and chief executive, last night again questioned the basis of Invergordon's profits forecast. Could Invergordon really sustain operating margins higher than those of Guinness, Highland Distilleries, and Macallan Glenlivet with their strong brands? he asked.

Invergordon's reliance on the commodity and value for money end of the Scotch whisky business, he added, made its prospects more uncertain in a challenging period ahead for the industry.

Groewood goes into receivership

By Clare Pearson

Groewood Securities, the property and industrial group, is going into receivership, with the balance going into convertible preference and convertible loan stocks.

Like most other recent investment trust new issues, this offer is designed to allow investors to place their shares in a personal equity plan (Pep).

A quick in the Pep rules allows a full £5,000 to be placed in a new issue, compared with only £3,000 that can normally be held in a unit or investment trust Pep.

Two provisions are designed to reduce the discount to net assets, which plagues investment trust new issues.

The first is the issue of warrants to invest for new shares at 100p - the same as the offer price - on a 1-for-5 basis.

The second is a so-called "smoking fuse" under which shareholders have the right, every five years, to vote on the continuation of the company.

Applications for a minimum of 500 shares, must be made by November 6. Dealings are expected to start on November 14.

NFC, the transport, travel and property group, has, via its Exel Logistics subsidiary, acquired Bos Finances for £750m (£2m) cash and maximum deferred payments of £750m.

Bos, based in Brittany, operates three specialist transport and distribution companies covering more than a third of France.

Productivity advance helps Thorntons rise 5% to £11.9m

By Clare Pearson

A 14 PER CENT productivity gain in manufacturing helped Thorntons, the chocolate maker, lift pre-tax profits by 5 per cent to £11.9m for the year to June 22.

Mr John Thornton, chairman, said the gain helped to offset substantial rises in retail occupancy costs.

Sales in the dominant UK retailing outlets proved robust in the face of recession. On a like-for-like basis, they grew by 6 per cent, with price inflation masking a modest decline in volumes.

Turnover at the outlets, up from 343 to 367 by the end of the year, expanded by 13 per cent to £58m.

The French operation, however, had a difficult year. Mr Thornton laid much of the blame on the Gulf war, and particularly the effects of the decline in tourism on the Paris operation.

He said the French outlets incurred a loss of about £850,000. Their sales amounted to £8.5m compared with £6.9m

for the period from September 1989, when they were acquired.

Since the year-end, Thornton has agreed to sell its shop on the Champs-Élysées in Paris to the landlord, which will give rise to a compensation payment of £2m.

Ice cream, still a small part of the business, was achieving strong sales growth, Mr Thornton said.

In May Sainsbury's was added to Asda as a supermarket outlet for the company's products.

A change in accounting for depreciation benefited pre-tax profits by £240,000.

Operating profits were £11.9m (£10m) on group turnover of £78.9m (£76.2m). Property profits were lower at £713,000 (£783,000).

Instead of £389,000 interest receivable, net interest payable amounted to £241,000.

Earnings per share increased to 12.5p (12.54p). A final dividend of 2.4p is recommended, lifting the total

for the year from 3.3p to 3.6p.

COMMENT

Compare these results with the numerous tales of woe which have emerged from other chocolate makers and the benefits which can stem from combining manufacturing and retailing shake out. Encouragingly, Mr Thornton is indicating that the company should perform a similar trick with productivity gains as rents continue to rise in the current year. A weak point is the French operation, which Thornton has yet to prove it can turn round; but at least it has been recognising chunks of the £6.9m purchase price in asset sales. The shares look to be one of the soundest havens in the smaller companies sector, but they are hardly cheap at present on a prospective p/e of about 13 on pre-tax profits forecasts of £12.6m. Trading in the stock, more than half of which is held by the "Thorntons' family, is likely to be quiet ahead of the crucial Christmas trading period.

Avon Rubber reorganisation

By Michio Nakamoto

AVON RUBBER, the automotive components and tyre manufacturer, is closing its factory at Bradford-on-Avon in Wiltshire to separate newer facilities. The resulting 35 per cent reduction in floor space in the industrial polymer business alone will bring a significant reduction in the cost base.

Another main objective of the reorganisation was to increase market share by creating more focused business units able to respond better to customer needs, he said.

As a result of the reorganisation, Avon Rubber will consist of the four divisions of Avon Inflatables, Cadillac, in the US, Avon Technical Products and Avon Industrial Polymers.

Avon Industrial Polymers will no longer be a separate company but its activities will be subsumed in the two new divisions of automotive components and technical products that are being created.

Avon Tyres will remain as a separate subsidiary company. The reorganisation will achieve annual savings in excess of £5m and release cash of about £2m over two years, of which £2m will come from factory closure, £5m from reduction of stocks and the remainder from other disposals.

"We felt that we couldn't wait [to raise profitability] until we had a recovery and until we see a demand-led profit improvement," Mr Mitchell said.

Avon, which suffered a 26 per cent fall in pre-tax profits to £3.58m (£4.8m) in the six months to end-March, said it had not yet seen signs of a recovery.

The reorganisation cost, estimated at £5.7m, will be charged as an exceptional item.

Morgan Grenfell Equity raising up to £30m

By Philip Coggan, Personal Finance Editor

MORGAN GRENFELL Equity Income Trust is attempting to raise up to £30m via an offer for subscription sponsored by James Capel. Up to 30m shares are on offer at 100p each.

The trust will invest in high yielding small and medium-sized companies with the aim of providing shareholders with an above-average income. The initial yield is expected to be about 6.1 per cent.

Some 60 per cent of the assets will be invested in equities, with the balance going into convertible preference and convertible loan stocks.

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Bos, based in Brittany, operates three specialist transport and distribution companies covering more than a third of France.

Alan Paul makes two appointments

By Michio Nakamoto

Alan Paul, the rapidly expanding hairdressing group which recently had a rights issue to reduce a heavy debt burden, is strengthening its board with two non-executive appointments.

Mr Brian Solomon, formerly a director of Grindlays Bank and chairman of Capital for Industry, has joined the board as non-executive chairman, and Mr Christopher Smith as a non-executive director.

The appointments come in the wake of an increasingly difficult trading period for the group.

Mr Solomon said that the group had a problem in the Body & Face Place, although the overall hairdressing business was by-and-large profitable.

The rights issue had raised borrowing of £10m, but the group was "seriously limited" in the amount of funds available for further development, he said.

NFC makes £8m French acquisition

NFC, the transport, travel and property group, has, via its Exel Logistics subsidiary, acquired Bos Finances for £750m (£2m) cash and maximum deferred payments of £750m.

Bos, based in Brittany, operates three specialist transport and distribution companies covering more than a third of France.

Way now open for group to begin reducing its £931m debt mountain Asda gets go-ahead for £357m cash call

By Chris Tighe and Sara Webb

ASDA, the debt-laden grocery retailer, yesterday won shareholders' approval to proceed with its proposed £357m rights issue.

An extraordinary general meeting of more than 400 shareholders gave overwhelming support to the cash call, clearing the way for the Leeds-based group - the UK's fourth largest grocery retailer - to begin the next stage of its fight to reduce its £931m debt mountain.

The issue of up to 1.06bn shares is on a 9-for-10 basis at 35p each. Dealings start this morning. The shares closed up 5p at 50p.

Mr Patrick Gillam, the new chairman, faced hostile questioning but won over his audience, many of them long-standing shareholders, with a pledge that Asda would go "back to its roots" and concentrate on activities it does best.

The meeting agreed to the cash call after Mr Gillam warned: "I don't believe you have a practical alternative."

But a number of shareholders made plain their disaffection with the way the group had been managed in recent years, and there were calls - on which Mr Gillam declined to be drawn - for some board members to be sacked.

There was no evident euphoria at the news of the appointment of Mr Archie Norman, finance director of the Kingfisher group, as the new chief executive. Mr Gillam even had to assure one disgruntled shareholder that Mr Norman was "not another accountant."

Since Mr Gillam's arrival, Asda, which was in danger of breaching its banking covenants, has negotiated a £200m two-year committed facility



Patrick Gillam: rights issue a critical part of the financial restructuring

with National Westminster and Swiss Bank Corporation and received unanimous approval from a syndicate of almost 30 banks to amend its borrowing facilities. These negotiations concerned a £500m multi-option facility and a £260m transferable term loan facility.

Mr Gillam said that the deals were dependent on approval of the rights issue which would reduce indebtedness to £670m and gearing from 72.1 per cent to 56.6 per cent.

"There is no denying the seriousness of the financial squeeze which faced the company when I joined four weeks ago," he said. Describing the new agreements as a "rescue operation," he warned that without them the group could at worst have faced administration and at best very difficult negotiations with its banks.

"The rights issue is a critical piece in the jigsaw of our financial restructuring," he said. Proxy votes indicated support of shareholders accounting for 260m shares with 700,000 against.

The board, said Mr Gillam, had taken the wrong decision when it opted not to raise equity capital by way of rights in order to finance its acquisition of 60 superstores for £70m from Gateway two years ago.

Last Friday, Asda announced 350 head office redundancies and 66 job losses at its Allied Maples furnishings subsidiary. But yesterday Mr Gillam stressed Asda's strengths: its 11 per cent UK food market share and its profitability. "It's wholly wrong to bracket your company with some of the more spectacular business failures of recent years," he said.

Speaking afterwards, Mr Gillam said Asda had been through a period of turmoil with the illness of former chairman Sir Godfrey Messervy, and the departure in June of former chief executive Mr John Hardman. But he said the company had very strong underlying assets. "I am absolutely confident this company can and will be revived."

He could not say how soon Mr Norman, who agreed only yesterday morning to join Asda, would be arriving. Nor

would he disclose his salary. Mr Norman was by far the best candidate considered, he said.

Mr Gillam dismissed rumours of takeover talks and declined to talk about Asda's future direction ahead of Mr Norman's arrival, but hinted: "Certainly the management has been looking at piloting the new format."

Asda's borrowing costs will increase substantially after its rights issue, following the recent debt renegotiations with its lending banks.

The new terms - which include an amendment to the loan covenants in order to reduce the interest cover - were agreed with NatWest and SBC. As a result:

● On Asda's five-year £500m multi-option facility arranged by NatWest (of which £200m was committed), the margin over the London interbank offered rate (Libor) will be increased from 18.75 basis points to 47.5 basis points once the rights issue is complete.

Annual fees are 40 basis points for the first year and 50 basis points thereafter.

● The margin on Asda's £260m transferable term loan facility arranged by SBC has been increased to 67.5 basis points over Libor from the original terms of between 12.5 and 20 basis points.

In addition, NatWest and SBC have agreed two-year £200m committed facilities for Asda with a margin of 50 basis points over Libor for the first year, and of 52.5 basis points for the second year, conditional on the rights issue going ahead. The facility fees are 50 basis points for the first year and 60 basis points for the second year.

He could not say how soon Mr Norman, who agreed only yesterday morning to join Asda, would be arriving. Nor

See Lex

COMPANY NEWS IN BRIEF

APPLYARD is completing the withdrawal from its Franchises through the sale of the Endeavour Motor businesses in Brighton and Shoreham and truck operation in Portladder. Mann Egerton is the buyer and is paying £1.7m cash.

BOURNE END Properties has

sold five warehouse properties, currently occupied by Magnet, the kitchen retailer, for £2.5m. The buyers are all private investors.

CAITIA GROUP has won a contract from IBM to develop software to handle council tax. Housing benefit and universal

business rate systems are also part of the contract. DUNHILL HOLDINGS is buying a 34 per cent holding in Dunco, which is primarily responsible for distributing imported Dunhill branded products in Japan.

MOLYNEUX ESTATES has

contracted to buy the freehold interest in the Kingsland Shopping Centre at Thatcham, near Newbury, for £3.65m cash. Present income is £430,000 annually, rising towards £475,000 in 1993.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend year	Total dividend year	Total dividend year
Barts & Co	2	Jan 6	2	-	6.8
Grampian Hldgs	1.7	Nov 18	1.5	-	5
Lilly	11	Jan 6	1	-	2.5
Scott Ammir Inv	1.04	Jan 6	0.96	-	3.8
Thorntons	2.4	Nov 29	2.2	-	3.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. \$USM stock.

CORPORATE AND PERSONAL INVESTORS OR CURRENCY DEALERS SHOULD READ THIS!

The Investment Column of 'Home & Away' has achieved the following successes (among others) probably unmatched by any other financial journal:

1987: Advised readers to get out of stocks months prior to the October 1987 market crash.

1988: Warned readers that property prices were too high and forecast a slump lasting through 1992.

1989: Cautioned readers to sell property for 10% less now rather than even less later.

1990: Forecast the Tokyo market slump.

1991: Predicted the Dollar Rise and the Tokyo market upturn.

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NOTICE OF MEETING

The shareholders are hereby informed that a General Meeting will be held at Paris (75008) at Pavillon Gabriel, 5, avenue Gabriel, France, on 8 November 1991 at 10 am (local time) to consider the following agenda:

Extraordinary General Meeting

- Presentation of the Report of the Board of Directors and the Statutory Auditors' Special Report;
- Change of the Company's system of management: the Board of Directors will be replaced by a Board of Management and a Supervisory Board, related changes to the Articles of Association;
- Definition of the powers of the Board of Management and the Supervisory Board with respect to the closing of the 1991 accounts;
- Transfer to the Board of Management of the financial authorisations initially granted by the Extraordinary General Meeting to the Board of Directors; authorisation to the Board of Management to grant stock options for future shares;
- Assignment of authority to make the "déclaration de régularité et de conformité" requested by the law.

Ordinary General Meeting

- Taking note of the expiration of the terms of office of the members of the Board of Directors, nomination of the first members of the Supervisory Board;
- Allocation of 1991 attendance fees to the Board of Directors and the Supervisory Board. Determination of the total annual attendance fee to be paid to the Supervisory Board in 1992 and after;
- Transfer to Board of Management of the financial authorisations granted by the Ordinary General Meeting to the Board of Directors.

To be entitled to attend, to be represented or to vote by post at this Meeting:

- holders of registered shares must be recorded in the Company's share register at least five days before the date of the Meeting;
- holders of bearer shares must deposit at DEMACHY WORKS & Co (222, rue Saint-Henri - 75001 PARIS France) at least 5 days before the date of the Meeting a certificate evidencing that the shares have been deposited with authorised intermediaries until the date of the Meeting.

Forms of proxy/vote should be lodged with the Company at least five days before the date of the Meeting.

Another person may only represent a shareholder at the Meeting if he is himself entitled to attend the Meeting, or is the spouse or legal representative of the shareholder.

Le Conseil d'Administration

SINANEN

SHINAGAWA FUEL CO., LTD.

(the "Company")

U.S. Dollars 50,000,000 1 1/4 % per cent. Guaranteed Notes due 1992 with Warrants (the "Warrants A")

U.S. Dollars 100,000,000 3 1/2 % per cent. Guaranteed Notes due 1993 with Warrants (the "Warrants B")

ADJUSTMENT OF SUBSCRIPTION PRICE

Notice is hereby given that the Company, pursuant to the resolution passed at the meeting of the Board of Directors of the Company held on 24th September, 1991, authorised to split its shares (the "Stock Split") owned by the shareholders of record as at 31st October, 1991 (Japan time) at a ratio of one point (1.1) for each share held and that the dividends for the shares will accrue as from 1st April, 1991.

Accordingly the Subscription Prices of the "Warrants A" and "Warrants B" shall be adjusted as follows:

1. "Warrants A".
 - (a) Subscription price before adjustment: Yen 1,298.20 per Share
 - (b) Subscription price after adjustment: Yen 1,180.20 per Share
2. "Warrants B".
 - (a) Subscription price before adjustment: Yen 1,681.00 per Share
 - (b) Subscription price after adjustment: Yen 1,528.20 per Share

Effective Date of above adjustments: 1st November, 1991 (Japan time)

COMMODITIES AND AGRICULTURE

Aluminium price up 7% after Alcan cuts output

By Robert Gibbens in Montreal and Kenneth Gooding

ALUMINIUM PRICES rose strongly on the London Metal Exchange yesterday after Alcan of Canada, the second largest producer outside the former Soviet Union, announced it was to cut its output by 8.5 per cent, or an annual 143,500 tonnes.

Cuts will affect four smelters. The biggest impact will be felt at Alcan's plant at Lynemouth, Northumberland, in the UK, where production will be halved - a reduction of 66,000 tonnes - and 300 jobs are affected.

Another 200 workers will be laid off in Quebec, Canada, with cuts at Shawinigan (one 21,000 tonnes pot line), Isle-MacIntyre (one 24,500 tonnes pot line), and Arvida (one 23,000 tonnes pot line).

Alcan halved the output of its smelter at Lochaber in Scotland to 10,000 tonnes in July.

These measures take the total cuts by the industry in the current recession to 612,150 tonnes or 4.1 per cent of western annual capacity.

Aluminium prices have been recently at their lowest level in real terms but much of the industry has still been operating close to capacity. For some months analysts have been calling for producers to ease back output in the face of rapidly rising stocks.

Mr Nick Moore, analyst at Ord Minnett, part of the Westpac banking group, commenting last night on the Alcan

Production cuts announced this year		
Company	Total cuts (tonnes)	Completed by
Alcan	143,500	November 1, 1991
Alumix	57,000	already
Alusuisse	40,000	already
Aluar	15,400	second half 1991
Alumina Alcoa	22,000	this month
Austria Metall	83,000	end 1992
Hungary	78,000	second half 1992
South Aluminium	25,000	second half 1991
Pechiney	22,250	November 1, 1991
Reynolds	121,000	December 1, 1991
Total	612,150	4.1% of western output

Source: Ord Minnett Research

move, said: "The saints he praised. It seems the producers have at last rid themselves of their death wish." He described the Alcan cuts as "not a knock-out blow [to low prices] but a big step in the right direction".

He and other analysts suggested the market would want to see more substantial cuts and other producers following Alcan before the aluminium price could show a sustained rise.

Nevertheless, at the close last night the LME price of aluminium for immediate delivery was up by \$82 a tonne or 7 per cent from the overnight level of \$1,196.

Mr David Morton, Alcan chairman, said yesterday that cuts were necessary because "at this time we do not see any prospect of a rapid increase in world demand that would

redress the imbalance in supply and demand situation in the short term."

British Alcan has said in the past that the world's high-cost smelters were now in Europe and that those facilities should close first. Lynemouth was the Alcan group's highest-cost smelter even though much had been done recently to improve productivity and cut costs.

British Alcan said plant would have to be a considerable and sustained improvement in aluminium prices and the dollar/stirling relationship before it would consider starting up again.

Alcan said separately that a reorganisation of its research and development arm would result in the loss of 114 jobs, including 45 at its Bambury laboratory in the UK.

swans government to recognise the Congress of South African Trade Unions, the dominant trade union grouping in South Africa, to which the National Union of Mineworkers, the union of most South African miners, belongs.

Mr Michael McMahon, managing director of Impala, has said before that the lack of union representatives complicates the resolution of industrial disputes.

Platinum mines could become political targets in South Africa's present upheavals, the Metals & Minerals Research consultancy group contends in its latest Metals Analysis & Outlook, writes Kenneth Gooding.

It points out that the National Union of Mineworkers, which is dominated by the African National Congress, is not allowed to represent employees in Bophuthatswana.

"As the ANC is fundamentally against the incorporation of the homelands [as states] into South Africa, the platinum mines could clearly become a political football," says MMRIS, which points out other compa-

nies have mines in, or next to, the Bophuthatswana and Lebowa homelands.

It suggests, however, that a flood of platinum to Switzerland from the former Soviet Union is more than compensating for interruptions to South African supply. Some 22.5 tonnes were shipped in the first half of 1991, mainly as collateral for loans.

Much will depend on whether the Soviet deliveries continue and if the metal already in Switzerland finds its way to the market. "This perceived overhang of metal is unlikely to inspire investment offers," it adds.

Platinum will suffer a supply surplus again this year and next, MMRIS predicts, so prices could be "less than inspiring if investors continue to shy away from precious metals". It suggests platinum's price will average \$376 a troy ounce this year (down from \$472 in 1990) and ease up to average \$390 an ounce in 1992.

"Metals Analysis & Outlook," \$400 for four quarterly issues from MMRIS, 2 Henry Street, Bath, Avon BA1 1JT, England.

Compiled from Reuters

MARKET REPORT

COPPER PRICES built on Tuesday's rally as sentiment was helped by the surge in aluminium values (see story above). Dealers said trading was mostly routine as the London Metal Exchange cash price gained 25.50 to close at \$2,137 a tonne. The premium over the three months delivery position widened by 25 to £15 a tonne, partly reflecting a large open position in nearby options.

Another factor was concern over lack of progress in labour contract talks at the Highland Valley mine in British Columbia, although production there was reported to be normal despite a weekend vote in favour of strike action in support contract demands. The

strength of the aluminium market also aided a zinc price rally that saw the cash position regain \$10.50 of Tuesday's \$14.50 fall to reach \$979.50 a tonne. Traders said that the market was due for a technical bounce after becoming too technical in the recent downturn. But it was unlikely to stage a significant rally unless a major producer announced a sizeable output cut. At the London Futures and Options Exchange the cocoa market steadied after the sharp falls sustained earlier in the week.

"Cocoa has been fairly steady, though it's difficult to say the market has bottomed out," commented one dealer.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)

Dubai \$18.95-0.02 +0.30

Brent Blend (dew) \$22.75-2.00 +1.25

WTI (1 pm est) \$23.65-3.75 +3.75

Oil products

NWE prompt delivery per tonne CIF

Premium Gasoline \$224-236 +1

Gas Oil \$224-224 -2.5

Heavy Fuel Oil \$22-24.5 +1

Crude oil (per barrel FOB)

Dubai \$18.95-0.02 +0.30

Brent Blend (dew) \$22.75-2.00 +1.25

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Oil products

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Premium Gasoline \$224-236 +1

Gas Oil \$224-224 -2.5

Heavy Fuel Oil \$22-24.5 +1

Crude oil (per barrel FOB)

Farm subsidies Turkey can no longer afford

Reform must be on the agenda of the new government, writes John Murray Brown

WHICHEVER party comes out on top after Sunday's general election in Turkey, it will find that the urgent task of reforming the country's agricultural policy has been made still more difficult by the present government's electioneering.

Farm policy has long been a political issue in a country where 40 per cent of the 58m population depend on agriculture for their incomes. In its drive to woo the farming vote, the government has recently promised to freeze fertiliser prices and buy all the commodities farmers can sell.

Turkish agriculture has many natural advantages. From the mist-shrouded tea plantations of the Black Sea to the sub-tropical Mediterranean greenhouses, the country is all but self-sufficient in food commodities. Agriculture accounts for about a fifth of its total exports of \$15bn, while imports are minimal.

Turkey produces all types of citrus, is an important source of the figs on the Christmas dinner table and is also one of the world's largest producers of pharmaceutical opium, after a US-supported campaign to counter illegal drug production.

However, like many developing countries - and developed countries who can better afford the luxury - Turkey's farm policy is dominated by subsidies, still seen in some official quarters as the universal cure for an ailing agriculture.

While not a member of the European Community, Turkey clearly suffers from its proximity

to European markets. The government is under pressure from farmers to provide support in line with EC subsidies.

Indeed Mr Osman Ozbek, the head of the farm union, wryly concedes that the only reason he supports President Turgut Ozal's bid for Turkish membership of the EC, is so farmers can benefit from the Common Agricultural Policy - which many EC officials say would probably have to be scrapped if Turkey was allowed to join.

A senior official at the Turkish grain board (TMO), which has the job of buying from farmers at the official support price, said: Under present Community prices, of course



About 40 per cent of Turkey's 58m people depend on agriculture for their livelihoods

we can't compete - grain production is highly mechanised and suits a high-wage farm sector. And," he argues, "it certainly makes sense to support farmers in areas where there is no alternative employment."

There is clear evidence that the subsidies are distorting Turkish farm policy. Last year, for example, according to the grain board more than 120,000 hectares of farmland in Thrace switched from sunflower to wheat production, in response to the government's pricing policy. As a result, this year Turkey has become a net importer of vegetable oils.

The cause of current difficulties is the high level of support prices paid to farmers in 1990 in the wake of 1989's harvest failure. Turkey's policy of importing large amounts of grain turned out to be excessively prudent. In the event, 1990 turned out to be a bumper year.

The board's finances are only just recovering from the fiasco of last year's market intervention, which cost the state company US\$700m according to foreign economists. This August the board made the last repayment on the \$400m foreign borrowing taken out in 1990, part of which was used to finance wheat purchases from farmers at twice the prevailing world

price. The board's losses will be guaranteed by the Treasury, fuelling Turkey's public sector deficit. Ultimately, of course, the exercise can only be sustained through the central bank printing money and jeopardising any hopes of containing the country's already alarmingly high rate of inflation.

THE RUSSIAN Federation's grain harvest will be well below recent gloomy forecasts, the republic's central statistics office said yesterday, Reuters reports from Moscow.

With 93 per cent of grain now in from the fields, the statistics office said the year's harvest looked like dropping to 90m tonnes from last year's 115m. Russia normally produces over half the Soviet Union's needs.

Storage and distribution has always been a problem and farmers are holding back grain from the state, preferring to sell in private markets or barter for scarce consumer goods.

The independent news agency Interfax quoted the statistics office as saying the average grain yield this year was 161 kg a hectare. It said the potato crop was no worse than that of previous years, but gave no figures. Fodder for livestock farming was 12 per cent down on last year and many areas would not last the winter.

controls and a redeployment of staff and could well "enlarge the possible field of fraud". However, some existing fraud could disappear as the reforms were expected to reduce export subsidies.

Also, while the package should in the long term stabilise farm incomes and lower spending, "it does not offer an instant solution either to falling incomes or to rising expenditure". Cost would continue to rise, though not as quickly as at present, while

farm incomes would continue to decline, though not as sharply as with present policies.

Finally, Mr Roberts referred to some member states' accusations that the proposals were not fair - although he also noted that neither the British nor the French government had produced any alternative plans whose detail could be properly evaluated.

Mr Roberts said however that the lack of viable alternatives was one among several

"powerful reasons" for the MacSharry proposals being accepted.

All the farm ministers recognised the need for reform and the Commission's proposals would encourage "more low cost and hence more competitive agriculture", he said.

Mr David Nelson Smith, director of international grain company Cargill, disputed the commission's assessment of the impact of the reforms on the cereal sector, cornerstone of the MacSharry plan.

Compulsory set-aside for cereal land would cut production and if yields increased - as he said they undoubtedly would - the commission could increase the set-aside requirement to bring production back in line.

But the proposals would "turn the EC away from agricultural efficiency", as the most efficient farmers would be penalised, average costs would rise and the EC's competitiveness in world markets would decline, he said.

MacSharry plan could still face opposition

By Our Agriculture Staff

EUROPE'S farm ministers could still bank at accepting the European Commission's plans to reform the EC's costly Common Agricultural Policy, a senior commission official said in London yesterday.

Mr David Roberts, director general of the commission's agriculture division, set out four reasons why the EC agricultural ministers might throw out the controversial reforms, centre-piece of the programme of Mr Ray MacSharry, the farm commissioner.

The reforms aim to slash farm prices and penalise overproduction, at the same time compensating smaller farmers, in particular, through direct aid.

Mr Roberts told an Agra Europe conference on the reform of the Common Agricultural Policy that farm ministers could fall prey to the powerful farmers' lobbies which preferred support to be "hidden away in artificially high prices".

He noted that administering direct aid would "involve new

The European Commission has passed an emergency measure to raise the suckler cow premium, because of overproduction in the beef market, Reuters reports from Brussels. The new measure would mean small producers would be eligible for a premium totalling 85 Ecu a head instead of the current 65 Ecu.

"This is an exceptional measure in view of the difficulties in the sector," the spokesman said. If accepted by farm ministers, the premium will be payable for 1991 only, and will be retroactive.

At present, the premium is paid on 7.5m head of cattle in the EC to producers in disadvantaged areas. Producers with quotas of less than 60,000 litres will be entitled to claim the premium for 10 head.

controls and a redeployment of staff and could well "enlarge the possible field of fraud". However, some existing fraud could disappear as the reforms were expected to reduce export subsidies.

Also, while the package should in the long term stabilise farm incomes and lower spending, "it does not offer an instant solution either to falling incomes or to rising expenditure". Cost would continue to rise, though not as quickly as at present, while

farm incomes would continue to decline, though not as sharply as with present policies.

Finally, Mr Roberts referred to some member states' accusations that the proposals were not fair - although he also noted that neither the British nor the French government had produced any alternative plans whose detail could be properly evaluated.

Mr Roberts said however that the lack of viable alternatives was one among several

WORLD COMMODITIES PRICES

Cocoa - London POX

	Close	Previous	High/Low
Dec 798	798	795	790-795
Nov 798	798	795	790-795
Oct 798	798	795	790-795
Sep 798	798	795	790-795
Aug 798	798	795	790-795
Jul 798	798	795	790-795
Jun 798	798	795	790-795
May 798	798	795	790-795
Apr 798	798	795	790-795
Mar 798	798	795	790-795
Feb 798	798	795	790-795
Jan 798	798	795	790-795

Turnover: 427 (1200) lots of 10 tonnes

COFFEE - London POX

	Close	Previous	High/Low
Nov 225	216	208	215-216
Dec 225	216	208	215-216
Jan 225	216	208	215-216
Feb 225	216	208	215-216
Mar 225	216	208	215-216
Apr 225	216	208	215-216
May 225	216	208	215-216
Jun 225	216	208	215-216
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Nov 225	216	208	215-216
Dec 225	216	208	215-216
Jan 225	216	208	215-216
Feb 225	216	208	215-216
Mar 225	216	208	215-216
Apr 225	216	208	

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INDUSTRIALS (Miscel.)—Contd

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Continued on next page

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Company Name	Share Price	Dividend	Yield	Market Cap	Volume	Change
N & P Life Assurance Ltd	120.0	1.20	1.00%	100.0	1000	+0.50
Providence Capital Life Assurance Co Ltd	150.0	1.50	1.00%	150.0	1500	+0.75
Royal Heritage Life Assurance Ltd - Contd.	180.0	1.80	1.00%	180.0	1800	+0.90
Standard Life Assurance Co Ltd - Contd.	200.0	2.00	1.00%	200.0	2000	+1.00
Target Life Assurance Co Ltd - Contd.	220.0	2.20	1.00%	220.0	2200	+1.10
Financial International Ltd	250.0	2.50	1.00%	250.0	2500	+1.25
Independent Financial Group PLC	280.0	2.80	1.00%	280.0	2800	+1.40
Lazard Freres & Co Ltd	300.0	3.00	1.00%	300.0	3000	+1.50
Lyons Ltd	320.0	3.20	1.00%	320.0	3200	+1.60
Manitex Ltd	350.0	3.50	1.00%	350.0	3500	+1.75
Marshall & Sons Ltd	380.0	3.80	1.00%	380.0	3800	+1.90
McAlpine & Co Ltd	400.0	4.00	1.00%	400.0	4000	+2.00
McEwan & Co Ltd	420.0	4.20	1.00%	420.0	4200	+2.10
McGowan & Co Ltd	450.0	4.50	1.00%	450.0	4500	+2.25
McIntyre & Co Ltd	480.0	4.80	1.00%	480.0	4800	+2.40
McKinnon & Co Ltd	500.0	5.00	1.00%	500.0	5000	+2.50
McLellan & Co Ltd	520.0	5.20	1.00%	520.0	5200	+2.60
McMurray & Co Ltd	550.0	5.50	1.00%	550.0	5500	+2.75
McNair & Co Ltd	580.0	5.80	1.00%	580.0	5800	+2.90
McNicol & Co Ltd	600.0	6.00	1.00%	600.0	6000	+3.00
McNiven & Co Ltd	620.0	6.20	1.00%	620.0	6200	+3.10
McNulty & Co Ltd	650.0	6.50	1.00%	650.0	6500	+3.25
McNulty & Co Ltd	680.0	6.80	1.00%	680.0	6800	+3.40
McNulty & Co Ltd	700.0	7.00	1.00%	700.0	7000	+3.50
McNulty & Co Ltd	720.0	7.20	1.00%	720.0	7200	+3.60
McNulty & Co Ltd	750.0	7.50	1.00%	750.0	7500	+3.75
McNulty & Co Ltd	780.0	7.80	1.00%	780.0	7800	+3.90
McNulty & Co Ltd	800.0	8.00	1.00%	800.0	8000	+4.00
McNulty & Co Ltd	820.0	8.20	1.00%	820.0	8200	+4.10
McNulty & Co Ltd	850.0	8.50	1.00%	850.0	8500	+4.25
McNulty & Co Ltd	880.0	8.80	1.00%	880.0	8800	+4.40
McNulty & Co Ltd	900.0	9.00	1.00%	900.0	9000	+4.50
McNulty & Co Ltd	920.0	9.20	1.00%	920.0	9200	+4.60
McNulty & Co Ltd	950.0	9.50	1.00%	950.0	9500	+4.75
McNulty & Co Ltd	980.0	9.80	1.00%	980.0	9800	+4.90
McNulty & Co Ltd	1000.0	10.00	1.00%	1000.0	10000	+5.00
McNulty & Co Ltd	1020.0	10.20	1.00%	1020.0	10200	+5.10
McNulty & Co Ltd	1050.0	10.50	1.00%	1050.0	10500	+5.25
McNulty & Co Ltd	1080.0	10.80	1.00%	1080.0	10800	+5.40
McNulty & Co Ltd	1100.0	11.00	1.00%	1100.0	11000	+5.50
McNulty & Co Ltd	1120.0	11.20	1.00%	1120.0	11200	+5.60
McNulty & Co Ltd	1150.0	11.50	1.00%	1150.0	11500	+5.75
McNulty & Co Ltd	1180.0	11.80	1.00%	1180.0	11800	+5.90
McNulty & Co Ltd	1200.0	12.00	1.00%	1200.0	12000	+6.00
McNulty & Co Ltd	1220.0	12.20	1.00%	1220.0	12200	+6.10
McNulty & Co Ltd	1250.0	12.50	1.00%	1250.0	12500	+6.25
McNulty & Co Ltd	1280.0	12.80	1.00%	1280.0	12800	+6.40
McNulty & Co Ltd	1300.0	13.00	1.00%	1300.0	13000	+6.50
McNulty & Co Ltd	1320.0	13.20	1.00%	1320.0	13200	+6.60
McNulty & Co Ltd	1350.0	13.50	1.00%	1350.0	13500	+6.75
McNulty & Co Ltd	1380.0	13.80	1.00%	1380.0	13800	+6.90
McNulty & Co Ltd	1400.0	14.00	1.00%	1400.0	14000	+7.00
McNulty & Co Ltd	1420.0	14.20	1.00%	1420.0	14200	+7.10
McNulty & Co Ltd	1450.0	14.50	1.00%	1450.0	14500	+7.25
McNulty & Co Ltd	1480.0	14.80	1.00%	1480.0	14800	+7.40
McNulty & Co Ltd	1500.0	15.00	1.00%	1500.0	15000	+7.50
McNulty & Co Ltd	1520.0	15.20	1.00%	1520.0	15200	+7.60
McNulty & Co Ltd	1550.0	15.50	1.00%	1550.0	15500	+7.75
McNulty & Co Ltd	1580.0	15.80	1.00%	1580.0	15800	+7.90
McNulty & Co Ltd	1600.0	16.00	1.00%	1600.0	16000	+8.00
McNulty & Co Ltd	1620.0	16.20	1.00%	1620.0	16200	+8.10
McNulty & Co Ltd	1650.0	16.50	1.00%	1650.0	16500	+8.25
McNulty & Co Ltd	1680.0	16.80	1.00%	1680.0	16800	+8.40
McNulty & Co Ltd	1700.0	17.00	1.00%	1700.0	17000	+8.50
McNulty & Co Ltd	1720.0	17.20	1.00%	1720.0	17200	+8.60
McNulty & Co Ltd	1750.0	17.50	1.00%	1750.0	17500	+8.75
McNulty & Co Ltd	1780.0	17.80	1.00%	1780.0	17800	+8.90
McNulty & Co Ltd	1800.0	18.00	1.00%	1800.0	18000	+9.00
McNulty & Co Ltd	1820.0	18.20	1.00%	1820.0	18200	+9.10
McNulty & Co Ltd	1850.0	18.50	1.00%	1850.0	18500	+9.25
McNulty & Co Ltd	1880.0	18.80	1.00%	1880.0	18800	+9.40
McNulty & Co Ltd	1900.0	19.00	1.00%	1900.0	19000	+9.50
McNulty & Co Ltd	1920.0	19.20	1.00%	1920.0	19200	+9.60
McNulty & Co Ltd	1950.0	19.50	1.00%	1950.0	19500	+9.75
McNulty & Co Ltd	1980.0	19.80	1.00%	1980.0	19800	+9.90
McNulty & Co Ltd	2000.0	20.00	1.00%	2000.0	20000	+10.00
McNulty & Co Ltd	2020.0	20.20	1.00%	2020.0	20200	+10.10
McNulty & Co Ltd	2050.0	20.50	1.00%	2050.0	20500	+10.25
McNulty & Co Ltd	2080.0	20.80	1.00%	2080.0	20800	+10.40
McNulty & Co Ltd	2100.0	21.00	1.00%	2100.0	21000	+10.50
McNulty & Co Ltd	2120.0	21.20	1.00%	2120.0	21200	+10.60
McNulty & Co Ltd	2150.0	21.50	1.00%	2150.0	21500	+10.75
McNulty & Co Ltd	2180.0	21.80	1.00%	2180.0	21800	+10.90
McNulty & Co Ltd	2200.0	22.00	1.00%	2200.0	22000	+11.00
McNulty & Co Ltd	2220.0	22.20	1.00%	2220.0	22200	+11.10
McNulty & Co Ltd	2250.0	22.50	1.00%	2250.0	22500	+11.25
McNulty & Co Ltd	2280.0	22.80	1.00%	2280.0	22800	+11.40
McNulty & Co Ltd	2300.0	23.00	1.00%	2300.0	23000	+11.50
McNulty & Co Ltd	2320.0	23.20	1.00%	2320.0	23200	+11.60
McNulty & Co Ltd	2350.0	23.50	1.00%	2350.0	23500	+11.75
McNulty & Co Ltd	2380.0	23.80	1.00%	2380.0	23800	+11.90
McNulty & Co Ltd	2400.0	24.00	1.00%	2400.0	24000	+12.00
McNulty & Co Ltd	2420.0	24.20	1.00%	2420.0	24200	+12.10
McNulty & Co Ltd	2450.0	24.50	1.00%	2450.0	24500	+12.25
McNulty & Co Ltd	2480.0	24.80	1.00%	2480.0	24800	+12.40
McNulty & Co Ltd	2500.0	25.00	1.00%	2500.0	25000	+12.50
McNulty & Co Ltd	2520.0	25.20	1.00%	2520.0	25200	+12.60
McNulty & Co Ltd	2550.0	25.50	1.00%	2550.0	25500	+12.75
McNulty & Co Ltd	2580.0	25.80	1.00%	2580.0	25800	+12.90
McNulty & Co Ltd	2600.0	26.00	1.00%	2600.0	26000	+13.00
McNulty & Co Ltd	2620.0	26.20	1.00%	2620.0	26200	+13.10
McNulty & Co Ltd	2650.0	26.50	1.00%	2650.0	26500	+13.25
McNulty & Co Ltd	2680.0	26.80	1.00%	2680.0	26800	+13.40
McNulty & Co Ltd	2700.0	27.00	1.00%	2700.0	27000	+13.50
McNulty & Co Ltd	2720.0	27.20	1.00%	2720.0	27200	+13.60
McNulty & Co Ltd	2750.0	27.50	1.00%	2750.0	27500	+13.75
McNulty & Co Ltd	2780.0	27.80	1.00%	2780.0	27800	+13.90
McNulty & Co Ltd	2800.0	28.00	1.00%	2800.0	28000	+14.00
McNulty & Co Ltd	2820.0	28.20	1.00%	2820.0	28200	+14.10
McNulty & Co Ltd	2850.0	28.50	1.00%	2850.0	28500	+14.25
McNulty & Co Ltd	2880.0	28.80	1.00%	2880.0	28800	+14.40
McNulty & Co Ltd	2900.0	29.00	1.00%	2900.0	29000	+14.50
McNulty & Co Ltd	2920.0	29.20	1.00%	2920.0	29200	+14.60
McNulty & Co Ltd	2950.0	29.50	1.00%	2950.0	29500	+14.75
McNulty & Co Ltd	2980.0	29.80	1.00%	2980.0	29800	+14.90
McNulty & Co Ltd	3000.0	30.00	1.00%	3000.0	30000	+15.00
McNulty & Co Ltd	3020.0	30.20	1.00%	3020.0	30200	+15.10
McNulty & Co Ltd	3050.0	30.50	1.00%	3050.0	30500	+15.25
McNulty & Co Ltd	3080.0	30.80	1.00%	3080.0	30800	+15.40
McNulty & Co Ltd	3100.0	31.00	1.00%	3100.0	31000	+15.50
McNulty & Co Ltd	3120.0	31.20	1.00%	3120.0	31200	+15.60
McNulty & Co Ltd	3150.0	31.50	1.00%	3150.0	31500	+15.75
McNulty & Co Ltd	3180.0	31.80	1.00%	3180.0	31800	+15.90
McNulty & Co Ltd	3200.0	32.00	1.00%	3200.0	32000	+16.00
McNulty & Co Ltd	3220.0	32.20	1.00%	3220.0	32200	+16.10
McNulty & Co Ltd	3250.0	32.50	1.00%	3250.0	32500	+16.25
McNulty & Co Ltd	3280.0	32.80	1.00%	3280.0	32800	+16.40
McNulty & Co Ltd	3300.0	33.00	1.00%	3300.0	33000	+16.50
McNulty & Co Ltd	3320.0	33.20	1.00%	3320.0	33200	+16.60
McNulty & Co Ltd	3350.0	33.50	1.00%	3350.0	33500	+16.75
McNulty & Co Ltd	3380.0	33.80	1.00%	3380.0	33800	+16.90
McNulty & Co Ltd	3400.0	34.00	1.00%	3400.0	34000	+17.00
McNulty & Co Ltd	3420.0	34.20	1.00%	3420.0	34200	+17.10
McNulty & Co Ltd	3450.0	34.50	1.00%	3450.0	34500	+17.25
McNulty & Co Ltd	3480.0	34.80	1.00%	3480.0	34800	+17.40
McNulty & Co Ltd	3500.0	35.00	1.00%	3500.0	35000	+17.50
McNulty & Co Ltd	3520.0	35.20	1.00%	3520.0	35200	+17.60
McNulty & Co Ltd	3550.0	35.50	1.00%	3550.0	35500	+17.75
McNulty & Co Ltd	3580.0	35.80	1.00%	3580.0	35800	+17.90
McNulty & Co Ltd	3600.0	36.00	1.00%	3600.0	36000	+18.00
McNulty & Co Ltd	3620.0	36.20	1.00%	3620.0	36200	+18.10
McNulty & Co Ltd	3650.0	36.50	1.00%	3650.0	36500	+18.25
McNulty & Co Ltd	3680.0	36.80	1.00%	3680.0	36800	+18.40
McNulty & Co Ltd	3700.0	37.00	1.00%	3700.0	37000	+18.50
McNulty & Co Ltd	3720.0	37.20	1.00%	3720.0	37200	+18.60
McNulty & Co Ltd	3750.0	37.50	1.00%	3750.0	37500	+18.75
McNulty & Co Ltd	3780.0	37.80	1.00%	3780.0	37800	+18.90
McNulty & Co Ltd	3800.0	38.00	1.00%	3800.0	38000	+19.00
McNulty & Co Ltd	3820.0	38.20	1.00%	3820.0	38200	+19.10
McNulty & Co Ltd	3850.0	38.50	1.00%	3850.0	38500	+19.25
McNulty & Co Ltd	3880.0	38.80	1.00%	3880.0	38800	+19.40
McNulty & Co Ltd	3900.0	39.00	1.00%	3900.0	39000	+19.50
McNulty & Co Ltd	3920.0	39.20	1.00%	3920.0	39200	+19.60
McNulty & Co Ltd	3950.0	39.50	1.00%	3950.0	39500	+19.75
McNulty & Co Ltd	3980.0	39.80	1.00%	3980.0	39800	+19.90
McNulty & Co Ltd	4000.0	40.00	1.00%	4000.0	40000	+20.00
McNulty & Co Ltd	4020.0	40.20	1.00%	4020.0		

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar weaker on US rate talk

THE DOLLAR weakened yesterday as talk of an imminent reduction in US interest rates returned to the fore, while a stronger D-Mark contributed to the US currency's losses.

The dollar had moved higher after the Group of Seven finance ministers' meeting in Bangkok produced little of substance on the US unit.

However, a week set of car sales data for the first ten days of October and the poor results from Citicorp have rekindled worries about the state of the US economy.

The approach of an important set of US inflation figures today has also helped concentrate the market's attention on the possibility that the Federal Reserve could soon ease monetary policy.

A 0.2 per cent rise in September consumer prices is expected by the market and compares with a similar rise in August. If the Fed decides to lower rates, the most likely course of action is to signal to the markets that it wants a lower Fed funds rate; 5 per cent rather than the current target of 5 1/4 per cent is expected.

The dollar closed lower at DM1.7020 from DM1.7115; at SF1.4875 from SF1.4935; at Y130.05 from Y130.20; and at FF5.7975 from FF5.8275.

£ IN NEW YORK

	Oct 16	Oct 15	Previous Close
6 month	1.7020-1.7025	1.7020-1.7025	
3 month	1.7020-1.7025	1.7020-1.7025	
12 month	1.7020-1.7025	1.7020-1.7025	

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

	Oct 16	Oct 15	Previous
100	100.0	100.0	100.0
100	100.0	100.0	100.0
100	100.0	100.0	100.0
100	100.0	100.0	100.0
100	100.0	100.0	100.0
100	100.0	100.0	100.0
100	100.0	100.0	100.0
100	100.0	100.0	100.0
100	100.0	100.0	100.0
100	100.0	100.0	100.0

Source: Bank of England. Sterling index: 1990=100. Bank of England index: 1990=100. Sterling index: 1990=100. Bank of England index: 1990=100.

CURRENCY MOVEMENTS

	Oct 16	Oct 15	Previous
US Dollar	100.0	100.0	100.0
Japanese Yen	100.0	100.0	100.0
West German Mark	100.0	100.0	100.0
French Franc	100.0	100.0	100.0
Italian Lira	100.0	100.0	100.0
Spanish Peseta	100.0	100.0	100.0
Portuguese Escudo	100.0	100.0	100.0
Belgian Franc	100.0	100.0	100.0
Dutch Guilder	100.0	100.0	100.0
Swiss Franc	100.0	100.0	100.0
Austrian Schilling	100.0	100.0	100.0
Greek Drachma	100.0	100.0	100.0
Irish Punt	100.0	100.0	100.0
Malaysian Ringgit	100.0	100.0	100.0
Singapore Dollar	100.0	100.0	100.0
Thai Baht	100.0	100.0	100.0
Philippine Peso	100.0	100.0	100.0
Indonesian Rupiah	100.0	100.0	100.0
Malay Ringgit	100.0	100.0	100.0
Brunei Dollar	100.0	100.0	100.0
East German Mark	100.0	100.0	100.0
Czech Koruna	100.0	100.0	100.0
Slovak Koruna	100.0	100.0	100.0
Hungarian Forint	100.0	100.0	100.0
Czech Republic	100.0	100.0	100.0
Slovak Republic	100.0	100.0	100.0
Hungary	100.0	100.0	100.0
Czech Republic	100.0	100.0	100.0
Slovak Republic	100.0	100.0	100.0
Hungary	100.0	100.0	100.0

Source: Bank of England. Sterling index: 1990=100. Bank of England index: 1990=100. Sterling index: 1990=100. Bank of England index: 1990=100.

CURRENCY RATES

	Oct 16	Oct 15	Previous
US Dollar	100.0	100.0	100.0
Japanese Yen	100.0	100.0	100.0
West German Mark	100.0	100.0	100.0
French Franc	100.0	100.0	100.0
Italian Lira	100.0	100.0	100.0
Spanish Peseta	100.0	100.0	100.0
Portuguese Escudo	100.0	100.0	100.0
Belgian Franc	100.0	100.0	100.0
Dutch Guilder	100.0	100.0	100.0
Swiss Franc	100.0	100.0	100.0
Austrian Schilling	100.0	100.0	100.0
Greek Drachma	100.0	100.0	100.0
Irish Punt	100.0	100.0	100.0
Malaysian Ringgit	100.0	100.0	100.0
Singapore Dollar	100.0	100.0	100.0
Thai Baht	100.0	100.0	100.0
Philippine Peso	100.0	100.0	100.0
Indonesian Rupiah	100.0	100.0	100.0
Malay Ringgit	100.0	100.0	100.0
Brunei Dollar	100.0	100.0	100.0
East German Mark	100.0	100.0	100.0
Czech Koruna	100.0	100.0	100.0
Slovak Koruna	100.0	100.0	100.0
Hungarian Forint	100.0	100.0	100.0
Czech Republic	100.0	100.0	100.0
Slovak Republic	100.0	100.0	100.0
Hungary	100.0	100.0	100.0
Czech Republic	100.0	100.0	100.0
Slovak Republic	100.0	100.0	100.0
Hungary	100.0	100.0	100.0

Source: Bank of England. Sterling index: 1990=100. Bank of England index: 1990=100. Sterling index: 1990=100. Bank of England index: 1990=100.

OTHER CURRENCIES

	Oct 16	Oct 15	Previous
US Dollar	100.0	100.0	100.0
Japanese Yen	100.0	100.0	100.0
West German Mark	100.0	100.0	100.0
French Franc	100.0	100.0	100.0
Italian Lira	100.0	100.0	100.0
Spanish Peseta	100.0	100.0	100.0
Portuguese Escudo	100.0	100.0	100.0
Belgian Franc	100.0	100.0	100.0
Dutch Guilder	100.0	100.0	100.0
Swiss Franc	100.0	100.0	100.0
Austrian Schilling	100.0	100.0	100.0
Greek Drachma	100.0	100.0	100.0
Irish Punt	100.0	100.0	100.0
Malaysian Ringgit	100.0	100.0	100.0
Singapore Dollar	100.0	100.0	100.0
Thai Baht	100.0	100.0	100.0
Philippine Peso	100.0	100.0	100.0
Indonesian Rupiah	100.0	100.0	100.0
Malay Ringgit	100.0	100.0	100.0
Brunei Dollar	100.0	100.0	100.0
East German Mark	100.0	100.0	100.0
Czech Koruna	100.0	100.0	100.0
Slovak Koruna	100.0	100.0	100.0
Hungarian Forint	100.0	100.0	100.0
Czech Republic	100.0	100.0	100.0
Slovak Republic	100.0	100.0	100.0
Hungary	100.0	100.0	100.0
Czech Republic	100.0	100.0	100.0
Slovak Republic	100.0	100.0	100.0
Hungary	100.0	100.0	100.0

Source: Bank of England. Sterling index: 1990=100. Bank of England index: 1990=100. Sterling index: 1990=100. Bank of England index: 1990=100.

MONEY MARKETS

Firm UK rates

UK MONEY rates were firm yesterday as the market remained tight while liquidity continued to drain out of the system for technical reasons. But in the rest of the world, interest rates were generally easier as markets began to anticipate rate cuts in France, Japan and the US.

The Bank of England forecasted a liquidity shortage of £1.2bn but was only able to provide £976m of liquidity. Overnight money was said to have been forced up to 14 per cent at one stage, before eventually settling little changed at 10 1/4 - 1/2 per cent.

UK clearing bank base lending rate 10 1/2 per cent from September 4, 1991.

Initially, short-term rates had been easier as the Bank of England offered to buy £500m of bills from the market at 10 1/4 per cent and then resell them to the market at the end of October. This securities repurchase agreement proved to be popular with market participants and the additional liquidity pushed overnight rates lower.

Borrowers took advantage of the cheaper money that followed the repo and when the Bank of England offered to buy bills later in the day it was

The D-Mark was firmer as the market began to digest the more aggressive noises on inflation coming out of the Bundesbank. There was little indication that market participants were considering an immediate rise in German rates: the German interest rate futures market was virtually unchanged.

Nevertheless, with the Bundesbank hinting that it is considering smaller, but more frequent adjustments in rates, analysts were not ruling out a slight upward move before the end of the month.

The mark was stronger against the yen, rising to Y130.05 from Y130.20. Talk of an easing in Japanese rates and worries about the strength of the Japanese economy helped weaken the yen. The higher mark/yen rate helped depress the dollar.

Within the ERM, speculation about a reduction in French

interest rates had little impact on the French franc. Although the franc was firmly at the bottom of the ERM grid, it was steady against the D-Mark and remained 1/2 percentage point above its D-Mark floor.

Sterling was little changed as the latest opinion poll put the opposition Labour party only 2 points ahead of the governing Conservatives. The market is now waiting for an important batch of labour market statistics today.

August average earnings on an annualised basis are expected to have risen by 7.25 per cent from 7.5 per cent the previous month, while a 55,000 person rise in unemployment in September compares with a 58,000 increase in August.

Sterling closed unchanged at DM2.195; but was higher at \$1.7110 from \$1.7020; at SF1.4875 from SF1.4935; at Y130.05 from Y130.20; and at FF5.7975 from FF5.8275.

EMS EUROPEAN CURRENCY UNIT RATES

	Oct 16	Oct 15	Previous
US Dollar	100.0	100.0	100.0
Japanese Yen	100.0	100.0	100.0
West German Mark	100.0	100.0	100.0
French Franc	100.0	100.0	100.0
Italian Lira	100.0	100.0	100.0
Spanish Peseta	100.0	100.0	100.0
Portuguese Escudo	100.0	100.0	100.0
Belgian Franc	100.0	100.0	100.0
Dutch Guilder	100.0	100.0	100.0
Swiss Franc	100.0	100.0	100.0
Austrian Schilling	100.0	100.0	100.0
Greek Drachma	100.0	100.0	100.0
Irish Punt	100.0	100.0	100.0
Malaysian Ringgit	100.0	100.0	100.0
Singapore Dollar	100.0	100.0	100.0
Thai Baht	100.0	100.0	100.0
Philippine Peso	100.0	100.0	100.0
Indonesian Rupiah	100.0	100.0	100.0
Malay Ringgit	100.0	100.0	100.0
Brunei Dollar	100.0	100.0	100.0
East German Mark	100.0	100.0	100.0
Czech Koruna	100.0	100.0	100.0
Slovak Koruna	100.0	100.0	100.0
Hungarian Forint	100.0	100.0	100.0
Czech Republic	100.0	100.0	100.0
Slovak Republic	100.0	100.0	100.0
Hungary	100.0	100.0	100.0
Czech Republic	100.0	100.0	100.0
Slovak Republic	100.0	100.0	100.0
Hungary	100.0	100.0	100.0

Source: Bank of England. Sterling index: 1990=100. Bank of England index: 1990=100. Sterling index: 1990=100. Bank of England index: 1990=100.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

	Oct 16	Oct 15	Previous
US Dollar	100.0	100.0	100.0
Japanese Yen	100.0	100.0	100.0
West German Mark	100.0	100.0	100.0
French Franc	100.0	100.0	100.0
Italian Lira	100.0	100.0	100.0
Spanish Peseta	100.0	100.0	100.0
Portuguese Escudo	100.0	100.0	100.0
Belgian Franc	100.0	100.0	100.0
Dutch Guilder	100.0	100.0	100.0
Swiss Franc	100.0	100.0	100.0
Austrian Schilling	100.0	100.0	100.0
Greek Drachma	100.0	100.0	100.0
Irish Punt	100.0	100.0	100.0
Malaysian Ringgit	100.0	100.0	100.0
Singapore Dollar	100.0	100.0	100.0
Thai Baht	100.0	100.0	100.0
Philippine Peso	100.0	100.0	100.0
Indonesian Rupiah	100.0	100.0	100.0
Malay Ringgit	100.0	100.0	100.0
Brunei Dollar	100.0	100.0	100.0
East German Mark	100.0	100.0	100.0
Czech Koruna	100.0	100.0	100.0
Slovak Koruna	100.0	100.0	100.0
Hungarian Forint	100.0	100.0	100.0
Czech Republic	100.0	100.0	100.0
Slovak Republic	100.0	100.0	100.0
Hungary	100.0	100.0	100.0
Czech Republic	100.0	100.0	100.0
Slovak Republic	100.0	100.0	100.0
Hungary	100.0	100.0	100.0

Source: Bank of England. Sterling index: 1990=100. Bank of England index: 1990=100. Sterling index: 1990=100. Bank of England index: 1990=100.

EURO CURRENCY INTEREST RATES

	Oct 16	Oct 15	Previous
US Dollar	100.0	100.0	100.0
Japanese Yen	100.0	100.0	100.0
West German Mark	100.0	100.0	100.0
French Franc	100.0	100.0	100.0
Italian Lira	100.0	100.0	100.0
Spanish Peseta	100.0	100.0	100.0
Portuguese Escudo	100.0	100.0	100.0
Belgian Franc	100.0	100.0	100.0
Dutch Guilder	100.0	100.0	100.0
Swiss Franc	100.0	100.0	100.0
Austrian Schilling	100.0	100.0	100.0
Greek Drachma	100.0	100.0	100.0
Irish Punt	100.0	100.0	100.0
Malaysian Ringgit	100.0	100.0	100.0
Singapore Dollar	100.0	100.0	100.0
Thai Baht	100.0	100.0	100.0
Philippine Peso	100.0	100.0	100.0
Indonesian Rupiah	100.0	100.0	100.0
Malay Ringgit	100.0	100.0	100.0
Brunei Dollar	100.0	100.0	100.0
East German Mark	100.0	100.0	100.0
Czech Koruna	100.0	100.0	100.0
Slovak Koruna	100.0	100.0	100.0
Hungarian Forint	100.0	100.0	100.0
Czech Republic	100.0	100.0	100.0
Slovak Republic	100.0	100.0	100.0
Hungary	100.0	100.0	100.0
Czech Republic	100.0	100.0	100.0
Slovak Republic	100.0	100.0	100.0
Hungary	100.0	100.0	100.0

Source: Bank of England. Sterling index: 1990=100. Bank of England index: 1990=100. Sterling index: 1990=100. Bank of England index: 1990=100.

EXCHANGE CROSS RATES

	Oct 16	Oct 15	Previous
US Dollar	100.0	100.0	100.0
Japanese Yen	100.0	100.0	100.0
West German Mark	100.0	100.0	100.0
French Franc	100.0	100.0	100.0
Italian Lira	100.0	100.0	100.0
Spanish Peseta	100.0	100.0	100.0
Portuguese Escudo	100.0	100.0	100.0
Belgian Franc	100.0	100.0	100.0

WORLD STOCK MARKETS

[illegible]

CANADA

Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng
TORONTO																							
3:00 pm prices October 16																							
Quotations in cents unless marked \$																							
3000 A&P Inc	314 1/2	14 1/2	14 1/2	14 1/2	+	32400 Dominion A	40	640	40	640	0	1000 Laurier G	58 1/2	6 1/2	6 1/2	6 1/2	+	26800 RyHyTrust	59 1/2	8 1/2	8 1/2	+	+
3000 Agropac A	450	450	450	450	+	32400 Dominion B	100	100	100	100	0	3000 Lincoln Inst	58 1/2	6 1/2	6 1/2	6 1/2	+	14000 Macdon A	512	12 1/2	12 1/2	12 1/2	+
40500 Air Can	57 1/2	7 1/2	7 1/2	7 1/2	+	31500 Dominion C	518 1/2	51 1/2	51 1/2	51 1/2	+	1000 Loblaw	51 1/2	10 1/2	10 1/2	10 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
3000 Alcan B	514 1/2	51 1/2	51 1/2	51 1/2	+	32400 Dominion D	58 1/2	58 1/2	58 1/2	58 1/2	+	1000 Macdon B	512	12 1/2	12 1/2	12 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
7200 Alcan C	14 1/2	14 1/2	14 1/2	14 1/2	+	32400 Dominion E	58 1/2	58 1/2	58 1/2	58 1/2	+	2100 Mattioli A	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
7200 Alcan D	23 1/2	23 1/2	23 1/2	23 1/2	+	32400 Dominion F	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli B	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
19500 Am Sun	52 1/2	5 1/2	5 1/2	5 1/2	+	32400 Dominion G	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli C	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
10100 Alco Cl	511 1/2	11 1/2	11 1/2	11 1/2	+	32400 Dominion H	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli D	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
12500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion I	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli E	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
12500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion J	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli F	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
3000 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion K	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli G	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
3000 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion L	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli H	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
54500 BCE Dev	11 1/2	1 1/2	1 1/2	1 1/2	+	32400 Dominion M	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli I	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
54500 BCE Dev	11 1/2	1 1/2	1 1/2	1 1/2	+	32400 Dominion N	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli J	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion O	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli K	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion P	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli L	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion Q	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli M	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion R	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli N	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion S	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli O	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion T	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli P	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion U	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli Q	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion V	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli R	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion W	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli S	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion X	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli T	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
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18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion Z	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli V	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion AA	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli W	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion AB	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli X	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
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18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion AD	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli Z	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
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18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion AG	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli AC	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion AH	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli AD	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion AI	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli AE	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion AJ	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli AF	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion AK	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli AG	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion AL	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli AH	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
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18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion AN	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli AJ	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion AO	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli AK	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
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18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion AQ	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli AM	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
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18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion AU	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli AQ	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
18500 B&M	53 1/2	3 1/2	3 1/2	3 1/2	+	32400 Dominion AV	58 1/2	58 1/2	58 1/2	58 1/2	+	6000 Mattioli AR	58 1/2	58 1/2	58 1/2	58 1/2	+	26800 Maple R	512	12 1/2	12 1/2	12 1/2	+
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18500 B&M	53 1/2																						

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Foreign Issues	1,744,404	47.4	+ 1.4	New Issues	20	8	12
CANADA							
TORONTO							
	Oct 16	Oct 14	Oct 11	Oct 10	1981		
					HIGH	LOW	
Alcan & Minerals	2537.29	Oct 4	2686.51	3079.90	2632.88	4914	
Companies	3416.68	Oct 4	3375.43	3345.08	3552.07	3141.93	(151)
MONTREAL Portfolio	1822.66	Oct 1	1798.78	1788.72	1903.86	1704	
					1666.99	(151)	
Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Alcan - 1000. Toronto Indices Based 1975 and Mostreux Portfolio 4/71. U.S. - Excluding bonds & Industrial, plus Utilities, Financial and Transportation; (a) Closed; (b) Unavailable.							
TOKYO - Most Active Stocks Wednesday, 16 October, 1981							
	Stocks Traded	Closing Price	Change on day	Stocks Traded	Closing Price	Change	
Nippon Zenn	10.2m	714	+100	Tokai On	5.8m	880	+10
Toshiba	10.1m	707	+6	Mitsui Bussan	5.7m	1185	+10
Japan R. Ball	7.6m	1,010	+30	Nissan Seiyu	5.7m	1480	+10
Mitsui Kasei	7.2m	858	+8	Daewoo On	4.4m	50	+10
Nippon Mining	5.8m	605	+6	Nissai Chemical	4.2m	880	+50

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3:00 pm prices October 16

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FT SURVEYS

Data Source: EBR5 1991

ET SURVEYS

AMERICA

Mixed corporate results keep Dow steady

Wall Street

THE STOCK market struggled to hold on to its recent gains yesterday morning, as mixed corporate news left share prices little changed in heavy trading, writes Patrick Harverson in New York.

By 1 pm the Dow Jones Industrial Average was down 3.58 at 3,037.79, not having strayed more than a few points either side of opening values all morning. The more broadly based Standard & Poor's 500 was equally becalmed, standing down just 0.11 at 390.84, while the Nasdaq composite of over-the-counter stocks surged to record highs, rising 3.76 to 537.57. Turnover on the New York Stock Exchange was exceptionally heavy at 135m

shares by 1 pm.

The lack of progress yesterday had been expected by analysts, who predicted a period of consolidation after the market's show of resilience earlier in the week in the face of poor third quarter earnings results. Corporate news again dominated the session. The most actively traded stock was Citicorp, which on Tuesday stunned the market with a third quarter loss of \$88m, big loan loss provisions and a dividend suspension. Yesterday the stock fell another \$14 to \$11.11 in volume of 3.5m shares. AMR, the parent of American Airlines, jumped \$34 to \$64 after reporting better-than-expected net income of \$70.3m for the third quarter. Earnings per share of \$1.02 were steady compared with a

year ago, in spite of a rise in the number of shares outstanding. The news boosted other airline stocks, with Delta adding \$14 to \$59, USAir rising \$4 to \$37 and UAL climbing \$4 to \$132. Air Wisconsin, a local carrier which is due to be purchased by UAL, rose \$14 to \$94 after it said that American had expressed interest in making a possible rival bid. Coca-Cola fell \$1 to \$62 after the company reported a \$456.3m profit for the third quarter, up 15.7 per cent on the same stage a year ago. The performance, however, was less impressive when the one-off charge that depressed third quarter 1990 earnings was considered. Coca-Cola forecast that the gap between its share of the US soft drinks market and

Pepsi's would widen over the next year. Shares in PepsiCo, which reported lower third quarter income and a restructuring charge on Tuesday, fell another \$3 to \$28. IBM ran into profit-taking, dropping \$2 to \$101. It had risen recently on profits which were modest, but no worse than expected. On the over-the-counter market Centocor jumped \$2 to \$32 in volume of 2.3m shares after the company said that it had received a US patent providing broad protection for its Centocox drug, which is used for treating septic shock.

Canada

TORONTO blue chips finally began to show some strength on the heels of a run-up in

small issues. At midday, the composite index had gained 15.8 to 3,422.5. Advancing issues were leading declines by 21 to 157, in volume of 10.5m shares valued at C\$132.9m. Alcan led an uptick in resource stocks after the company reported better-than-expected third quarter results last Friday. Alcan gained C\$4 to C\$23.7 in heavy volume. The company said yesterday that it would cut aluminum output temporarily, and that its research and development arm would cut jobs. Among natural resources shares, Inco gained C\$7 to stand at C\$36.6. Cominco gained C\$8 to C\$23.4, and Canfor picked up C\$14 to C\$28.

EUROPE

Chemicals downgrade sends Frankfurt lower

A DOWNGRADING of the German chemicals sector sent Frankfurt to reverse yesterday, writes Our Markets Staff. FRANKFURT moved from gains of up to a percentage point in the pre-bourse, through a flat opening to a near-one per cent decline at the close, as the influence of US overnight gains was wiped out by a downward revision of earnings forecasts for the chemicals sector by Degussa, Deutsche Bank's research arm. After a fall of 3.53 to 649.83 in the FAZ index at mid-session, the DAX closed 4.98 lower at 1,570.11. Volume rose to DM4.8bn from DM4.3bn.

FT-SE Eurotrack 100 - Oct 16							
Hourly changes							
Open	11 am	Noon	1 pm	2 pm	3 pm	4 pm	Close
1099.50	1099.34	1098.18	1096.53	1096.16	1095.84	1096.02	1095.57
Day's High			1099.57	Day's Low		1095.39	
Oct 15	Oct 14		Oct 11	Oct 10	Oct 9		
1095.49	1088.51		1088.47	1086.32	1085.96		

inflation news and Wall Street's overnight gains. The CAC 40 index rose 6.51 to 1,863.40 in moderate turnover after Tuesday's FFR2.2bn. An interest rate cut has not yet been fully discounted, according to Mr David Ponté of Fauchier-Magnan. "We would have a great time if it were to happen. The market could do with a good kick," he said. After several weeks of lethargy, people were now reacting vigorously to events, he said, citing the recent volatility in stocks such as Eurotunnel, Accor and Sextant Avionique. Eurotunnel closed another 40 centimes down at FFR44.90, but recovered from a day's low of FFR42.60, in volume of 4.45m shares. The fall followed Tuesday's late news that the company is suing Transmanche Link, the tunnel builder.

Accor gave up its gains in late trading, closing FFR17 down at the day's low of FFR7.33 after rising to FFR7.58 earlier. Rumours continued to circulate that the hotels company would raise its stake in the Belgian travel and tourism group, Wagons-Lits, which remained suspended. A statement was expected in Brussels late yesterday. Sextant Avionique shed FFR18.10 or 6.6 per cent to FFR257.10. Since Friday's first-half results news, the shares have fallen 31.4 per cent. Michelin, the tyre maker, gained FFR5.50 or 4.5 per cent to a year's high of FFR134.90 in heavy volume of 778,500 shares. There were rumours that it would raise more prices. MADRID's general index rose 1.92 to 265.47 as turnover improved to about Pta10bn from Pta8bn. Banesto added Pta20 to Pta3,470 while La Unión y El Fenix dropped Pta150 or 2.6 per cent to Pta5,600. The finance ministry is investigating the tax implications of Banesto's

ASIA PACIFIC

Biotechnology shares again support Nikkei

Tokyo

SHARE PRICES closed marginally higher yesterday after moving in a narrow range on the second day of the Big Four securities houses' suspension in activity dominated by individuals and second-tier brokerages, writes Emiko Terazono in Tokyo.

The Nikkei average ended up 27.02 at 24,324.67 after a day's high of 24,423.54 and a low of 24,221.38. The index lost upward momentum at one stage in the afternoon on rumours that Ling had shut down a US military aircraft, but soon picked up on the popularity of biotechnology shares.

Volume rose to 350m shares from 260m on short-term trading by individuals and institutions and index-linked activity by dealers. Declines led advances by 472 to 452, with 189 issues unchanged. The Topix index of all first-section stocks rose 1.49 to 1,850.05, and in London the ISE/Nikkei 50 index gained 2.23 to 1,407.21. Continued buying of biotechnology issues supported the market, and interest spread to foods, chemicals, pharmaceuticals and textiles. Short-term buying by foreigners and some institutions was noted. Meiji Milk Products, the

dairy company which announced that it had developed an AIDS drug, remained strong, rising Y108 to Y1,010.

Nippon Zen, the most active issue of the day, rose by its daily limit of Y100 to Y710 on securities houses' suspension. Tanabe Seiyaku, a pharmaceutical company, rose Y150 to Y1,490 and Teijin, the synthetic fibre maker, added Y20 to Y580 on hopes that the company would unveil a new cancer drug. Electricals and precision engineers, on the other hand, were weak on reports of lower earnings estimates. Tokai Electric fell Y40 to Y3,010 on projections of only a marginal increase in pre-tax profits for the current fiscal year owing to sluggish semiconductor sales. Minolta Camera fell Y20 to Y611 on the company's forecast of flat pre-tax profits for the year to March 1992.

The Tokyo Stock Exchange said that stock holdings held for arbitrage against December futures contracts totalled 1.1bn shares worth Y1,324.4bn on October 11, up by 62m shares or Y43.7bn from the previous week. The rise reflects active arbitrage trading following the fall in short-term interest rates. Although the expiry for December futures is two months away, there are worries in the market over mounting arbitrage positions.

In Osaka, the OSE average moved up 107.50 to 26,475.28 in volume of 36.2m shares. Export-oriented electrical machinery issues declined on the higher yen, while domestic-oriented construction and chemical shares firmed.

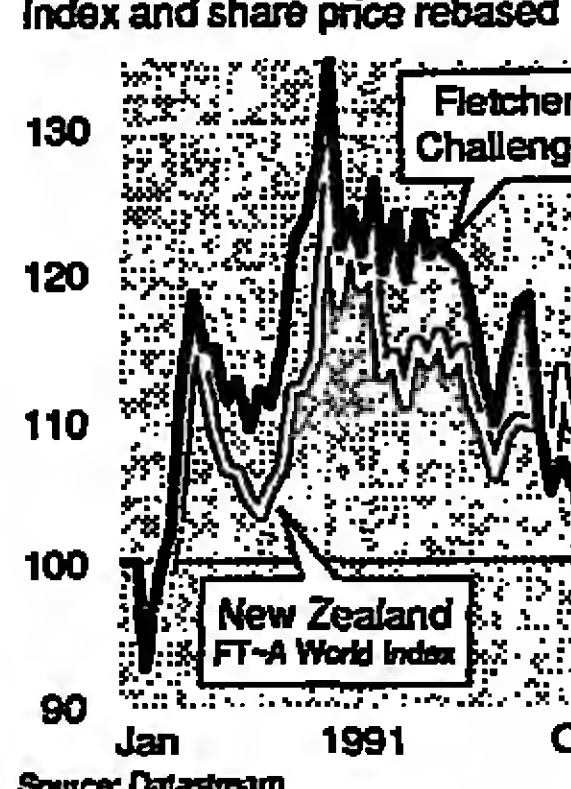
Roundup

PACIFIC RIM markets were mostly lower. Hong Kong was closed for a holiday.

NEW ZEALAND fell on a drop in Fletcher Challenge shares and on news of an insider trading investigation involving Wilson Neill. The NZSE-40 index lost 10.76 to 1,437.12 in turnover of NZ\$28m, after Tuesday's NZ\$24m. Fletcher Challenge fell 9 cents to NZ\$3, its lowest level since January, in the heaviest market volume of 2.7m shares. The stock has been under pressure because of uncertainty about whether the company intends to exercise a put option that could force the government to buy 104m new shares at NZ\$3.83 each on October 31.

Meanwhile, the Securities Commission said it had approved a preliminary investigation into suspected insider trading in the shares of the liquor and investment concern Wilson Neill. The stock closed 2 cents lower at 14 cents, while Magnum Corp, which has built

up a 49 per cent stake in Wilson Neill over the last six months, fell 8 cents to NZ\$1.50.



up a 49 per cent stake in Wilson Neill over the last six months, fell 8 cents to NZ\$1.50.

TAIWAN dropped 5.7 per cent on rumours that the government had begun to arrest members of the opposition Democratic Progressive Party. The weighted index lost 538.26 to 4,309.23, the lowest level since February 8. Turnover rose to T\$20.4bn from T\$11.8bn. SEUL's composite index fell below the 700 level to 692.06, down 8.12, in turnover of Won215bn, against Won262bn. Rubber shares bucked the trend on a report that tyre exports will increase this year. Dong A Tire rose by its upper limit of Won600 to Won1,540.

AUSTRALIA was quiet in

comparison with the local bond market, where yields rose as high as 10.06 per cent from 9.94 per cent in turbulent trading. The activity followed an overnight warning from Standard & Poor's, the international credit rating agency, that it would retain its negative outlook on Australia's debt rating. The All Ordinaries index put on 4.9 to 1,591.4 in turnover of A\$238m, up from A\$228m.

MANILA rose for the third consecutive day although there was evidence of profit-taking. The composite index firmed 3.69 to 1,054.22 in turnover of 175.1m pesos, after 178.6m. SINGAPORE was narrowly mixed. The Straits Times Industrial index edged up 0.19 to 1,370.23 in turnover of S\$57m, down from S\$99m.

BANGKOK returned, after a four-day weekend, shaken by political jitters. The SET index shed 12.72 to 626.36 in turnover of Bt1.71bn. JAKARTA edged lower in spite of new rules on securities houses, designed to improve investor protection. The index eased 1.02 to 238.15 as volume shrank to 1.76m shares from 3.25m.

BOMBAY rebounded as its economic reforms were praised at the International Monetary Fund meeting in Bangkok. The BSE index gained 48.41 or 2.2 per cent to 1,773.47. The market is shut today for a holiday.

Kuala Lumpur waits for 1992 budget

Lim Siong Hoon reports on fiscal and political fears in Malaysia

THE KUALA Lumpur stock market has taken a beating over the past two months, but Malaysia is still valued as a growth economy. The question is whether the forthcoming budget will sustain these hopes.

The KLSE composite index has fallen by 18.5 per cent from a peak of 635.02 in July, closing yesterday at 517.24, up 2.65. It was one of the world's worst performers during the third quarter, and is down 5.6 per cent on the year, compared with a world markets rise of 14 per cent.

Equity market sentiment has improved a little in the past week, and the market has recovered nearly 2 per cent from its recent bottom. Motor stocks, particularly Tan Chong and Oriental, which were regarded as oversold, have rebounded strongly. The market, too, is still on a demanding price/earnings ratio of 17. This reflects the basic strength of the economy, with real output this year and next forecast to grow at about 5 per cent.

An air of uncertainty is likely to keep the market in check until late this month

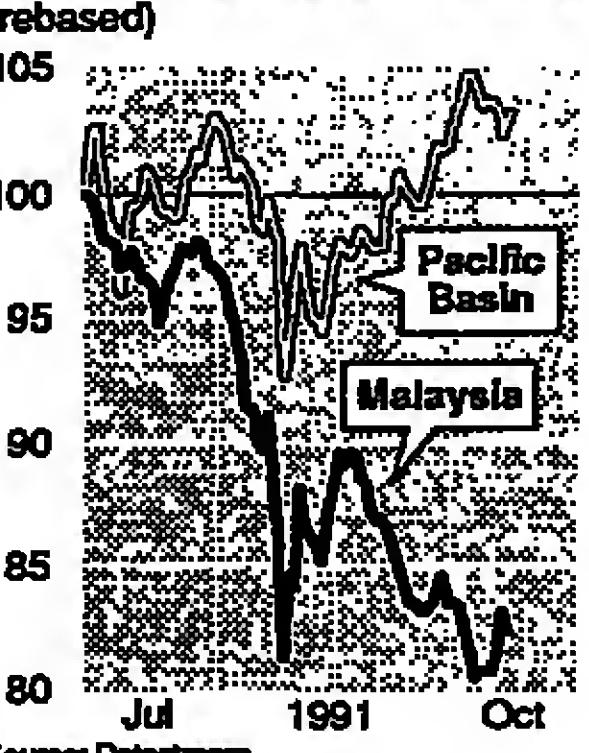
or early next, when Mr Anwar Ibrahim, the finance minister, unveils the 1992 budget. "Everyone is waiting for the budget," says Mr Greg Miller of Jardine Fleming in Kuala Lumpur.

The detail of the budget news is not expected to be particularly palatable. "People know the news is going to be bad, but do not know the magnitude," says Mr Miller.

There are rumours of the introduction of capital gains and value-added taxes, and many consumer goods, such as cars, alcohol and tobacco, are likely to be targeted. One analyst says that Resorts World, Malaysia's largest blue chip leisure group, expects an increase in gambling taxes. All of this would be in line with the government's intention to squeeze private consumption in order to deal with inflation, which is running at about 5 per cent this year, and a higher than expected current account deficit of up to M\$15bn (US\$8.5bn) this year compared with M\$4.6bn last year.

This is only part of the recent bear market story. Rumours of a Cabinet reshuffle

FT-A World Indices in local terms (rebased)



Source: Datastream

have combined with the earlier worries about inflation, rising interest rates and a weak balance of payments account. In addition, next year's average corporate earnings growth is expected to fall to 12-15 per cent from the 20-24 per cent expected this year, according to calculations by James Capel and Jardine Fleming.

However, analysts now think that the market is unlikely to test this year's low of 470 at the composite index, set on January 16. At worst, they say,

the market may fall to 480 which, says Ms Jennifer Wong of James Capel, is a historical support level.

Mr Lau at CIMB Securities, argues that the turning point could come soon. "The market has been doing a process of discounting [for the past two months], and it usually over-discounts," he says.

Interest rates have stabilised, after rising almost 2 per cent points this year to nearly 9 per cent. Moreover, prices are usually supported in the run-up to the Chinese lunar new year in February. Stocks have risen nine times out of the last 12 in December and January, according to Jardine Fleming.

One more plus point is the fact that, although the forthcoming budget should affect consumer demand most significantly, it is unlikely to be deflationary, says Mr Lau. Certain industries, particularly construction and some sectors of manufacturing, could be encouraged by fiscal and monetary policies designed to support trade and investment-related growth.

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS									
TUESDAY OCTOBER 16 1991									
Figures in parentheses show number of times of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index
Australia (69)	153.57	+1.3	133.78	126.39	136.65	127.94	+1.4	4.75	151.68
Austria (20)	162.53	-1.0	141.58	133.77	144.62	144.26	-0.3	1.98	164.14
Belgium (47)	128.03	-0.4	111.53	105.37	113.92	111.30	+0.5	5.33	128.53
Canada (114)	137.47	+1.4	119.75	113.13	122.31	112.48	+1.4	5.34	135.59
Denmark (87)	245.07	-1.1	214.38	202.52	218.95	220.72	-0.1	2.48	248.74
Finland (15)	84.42	-0.3	73.53	69.48	75.12	73.85	+0.7	3.30	84.85
France (109)	136.87	+0.3	126.98	114.28	123.55	126.94	+1.0	3.50	138.40
Germany (63)	105.56	+0.4	91.95	86.08	89.93	83.93	+1.1	2.40	105.17
Hong Kong (58)	165.78	+0.2	145.26	137.28	148.41	138.05	+0.3	4.30	163.82
Ireland (18)	156.23	+0.5	136.14	128.63	138.07	140.94	+1.3	3.55	155.45
Italy (77)	68.50	-0.9	59.67	56.38	60.95	65.49	+0.9	3.54	69.11
Japan (474)	140.50	+0.2	122.39	115.63	123.03	115.63	+0.8	0.73	140.28
Malaysia (88)	165.07	-1.1	168.92	160.33	173.57	200.97	-0.9	2.55	197.22
Netherlands (31)	130.18	+1.5	113.04	107.45	116.81	115.82	+1.4	1.21	128.74
Norway (14)	138.20	+0.7	121.26	114.56	123.86	122.82	+1.5	4.40	138.26
Sweden (25)	148.26	+1.7	140.29	130.07	141.16	143.29	+1.7	6.72	145.48
Switzerland (50)	184.81	-0.8	161.94	151.94	164.27	167.76	+0.2	1.88	185.80
Taiwan (31)	165.97	-0.5	145.26	137.28	148.41	138.05	+0.3	2.55	197.22
South Africa (61)	247.88	+0.5	215.92	204.00	220.56	199.05	+0.9	2.87	247.88
Spain (53)	149.17	-0.4	129.94	122.77	132.73	121.65	+0.2	4.50	149.78
Sweden (25)	175.72	-2.4	163.07	144.63	166.36	162.20	-1.8	2.75	180.13
Switzerland (50)	92.00	-0.5	80.14	75.72	81.87	85.18	+0.2	2.27	92.27
United Kingdom (240)	175.84	-0.5	144.54	136.27	152.99	140.71	+1.0	4.85	177.00
USA (526)	158.89	+1.2	130.41	120.77	141.29	158.89	+1.2	3.06	158.98
Europe (827)	137.40	-0.4	119.69	113.09	122.27	121.50	+0.4	8.95	137.50
Nordic (108)	175.83	-1.6	153.16	144.71	155.45	153.84	-0.7	2.11	178.00
Pacific Basin (718)	140.92	+0.2	122.75	115.98	125.39	116.92	+0.8	1.07	140.85
Euro-Pacific (1545)	139.86	+0.0	121.63	115.10	124.44	119.20	+0.5	2.20	139.90
North America (640)	157.49	+1.2	137.19	129.63	140.16	135.74	+1.2	3.07	155.38
Europe Ex. UK (567)	114.81	+0.0	100.01	94.51	102.47	94.51	+0.0	3.26	114.86
Pacific Ex. Japan (244)	144.94	+0.5	126.28	119.31	128.98	127.58	+0.7	4.33	144.21
World Ex. US (1736)	141.63	+0.0	123.17	116.13	126.03	120.94	+0.7	2.24	141.59
World Ex. UK (220)	145.98	+0.6	128.03	118.13	126.13	120.94	+0.6	2.24	145.98
World Ex. So. A. (220)	145.73	+0.5	126.95	118.85	129.68	132.52	+0.9	2.53	145.06
World Ex. Japan (1788)	150.82	+0.6	131.47	124.22	134.31	142.17	+0.9	3.42	150.01
The World Index (2262)	148.40	+0.5	127.52	120.49	130.27	132.83	+0.9	2.54	145.73

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